



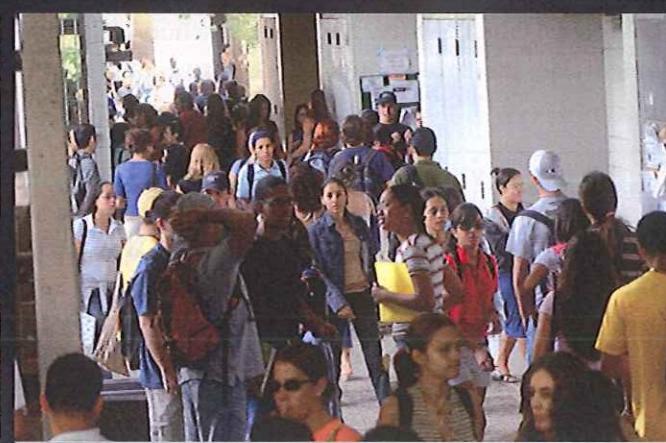
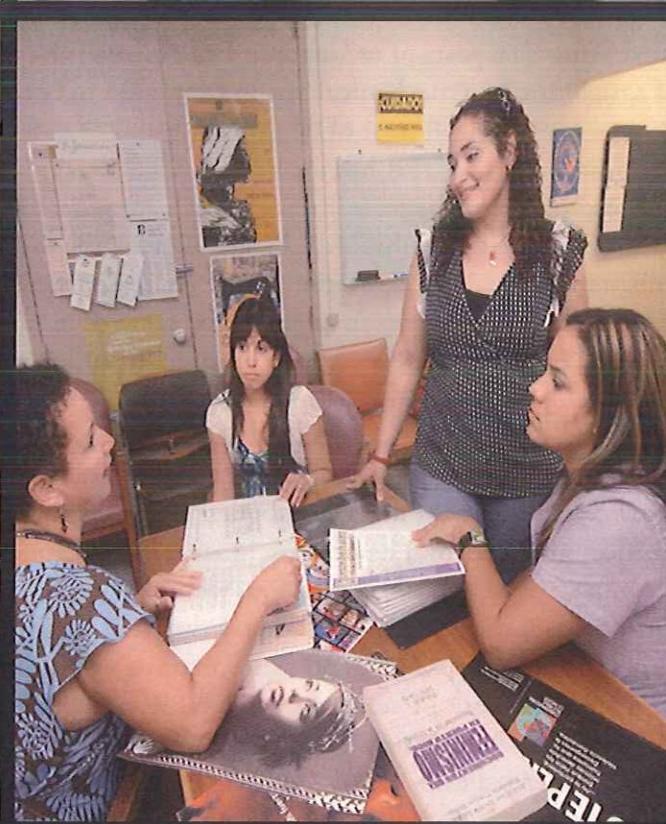
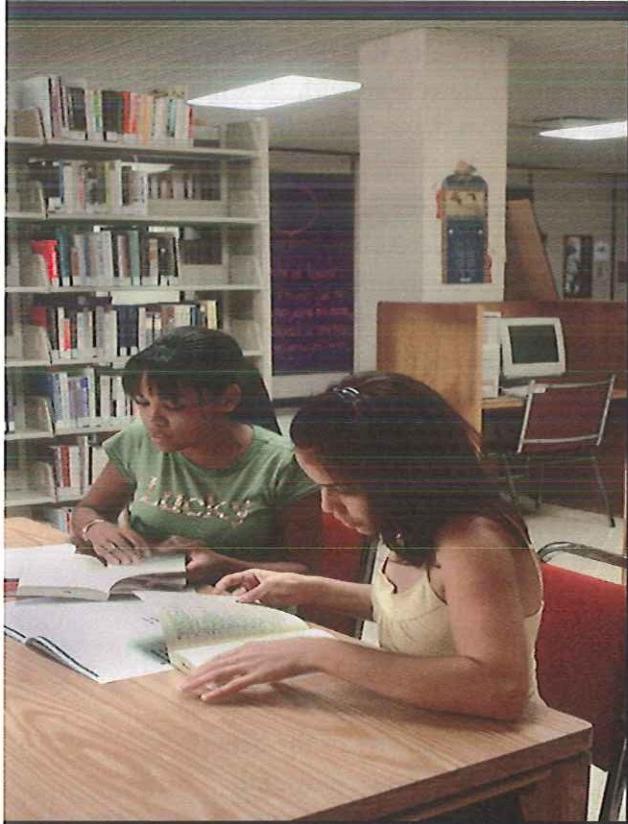
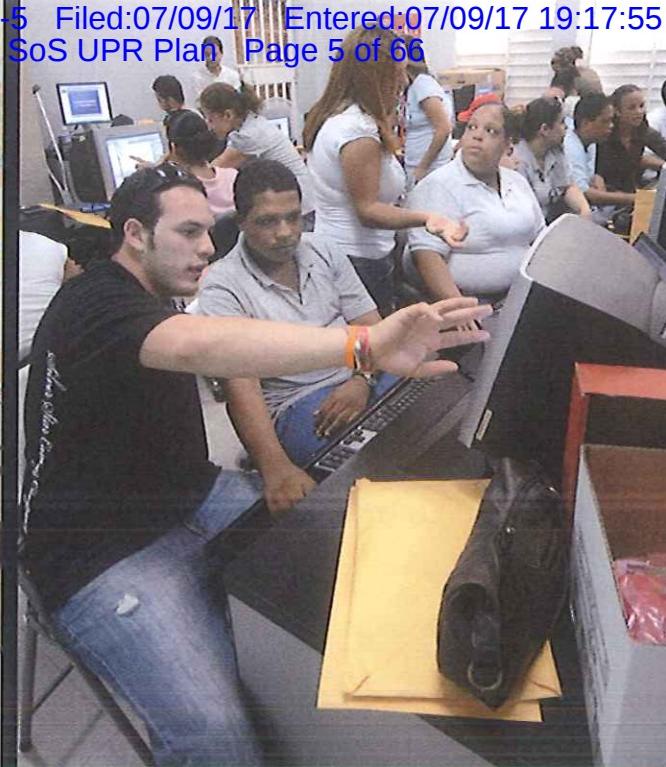
SUSTAINABLE FISCAL PLAN FOR THE UPR (SoS UPR PLAN)



TABLE OF CONTENTS

PREAMBLE	5
I. FROM <i>GOVERNMENT RIGHT SIZING</i> TO <i>GOVERNMENT SOCIAL RIGHT SIZING</i> : THE UPR AND ITS ESSENTIAL ROLE FOR THE COUNTRY	9
II. SUSTAINABLE FISCAL SCENARIOS FOR THE UPR	26
III. ADDITIONAL SOURCES OF INCOME FOR THE UPR	36
IV. EFFICIENCY STRATEGIES FOR STRENGTHENING THE UPR	46
V. CONTINUOUS PARTICIPATORY PROCESS	51
VI. GUIDING PRINCIPLES OF THE UPR 2017-2018 BUDGET	54





Preamble

SUSTAINABLE FISCAL PLAN FOR THE UPR *SoS UPR PLAN*

By adding rather than subtracting, the UPR gives more.
Lissette Rolón Collazo, Coordinator, *SoS UPR Plan*
(Full Professor, UPR-Mayagüez)

The best investment of the Puerto Rican people is its university and the eleven campuses.
Plena, David González Barreto
(Full Professor, UPR-Mayagüez)

PREAMBLE

The University of Puerto Rico is the largest sustained public investment in the history of Puerto Rico. After 116 years of existence, it has evolved from a teachers' college in Río Piedras and a faculty of agriculture and mechanical arts in Mayagüez to become a university system with eleven (11) campuses and an enrollment of 60,000 students (33.4% of all college students in the country for 2015).¹ Currently, the UPR has the best graduation rates of all higher education institutions with academic and professional degrees, 85% of which are accredited by relevant professional organizations. Despite the multiple challenges it faces, the excellence that characterizes the UPR's primary mission² –the higher education of the younger generations and the continuous training of the adult work force–, is unquestionable. At the same time, and as demonstrated in the next section of the *SoS UPR Plan*, the UPR is also the leading institution in research and scientific publications and patent development (33 in 2016). It has research centers in the fields of medicine, engineering, agriculture, socio-humanistic sciences, and marine biology, which includes the marine research laboratory in Magueyes Island in La Parguera, Lajas.

However, the social functions assigned to the UPR, within the institutional and legal context of Puerto Rico, go far beyond its primary mission. They also transcend our own country, as they have great impact on the Caribbean region, which includes Puerto Rico. The UPR shares with other public and private institutions in the country two vital tasks: (1) contributing to providing health care and safety to the population, and (2) promoting and safekeeping the cultural heritage.

As part of its work in health care, the UPR manages the University Hospital Dr. Federico J. Trillas in Carolina, where some 58,000 people are treated annually. The UPR faculty of the School of Medicine at the Medical Sciences Campus also offer their services in the various tertiary and supraternary hospitals that make up the Medical Center, the largest and most important medical-hospital complex in the country. Each of the schools that make up the Medical Sciences Campus of the UPR-medicine, pharmacy, nursing, dentistry, public health and other health-professions,

¹José I. Alameda-Lozada and José Alfredo González-Martínez. "The socio-economic impact of the University System of Puerto Rico." *Occasional Papers*. Op April 2017. #7 San Juan: Technical Studies, 2017.

²To name just one example: two hundred (200) engineers and professionals working in the National Aeronautics and Space Administration (NASA) are alumni of the Faculty of Engineering, UPR-Mayagüez Campus.

continually offer clinics and outreach programs which serve underprivileged populations, who would otherwise lack access to these services.

Furthermore, the UPR ensures the health and safety of the population in many ways beyond the important contribution of the Medical Sciences Campus and the clinics and practices provided by graduate programs in psychology, counseling and social work. For example, in the Río Piedras Campus, the Community Sport Access and Integration Program (PAIDCO) promotes physical activity among its beneficiaries; the Caño Martín Peña Liaison Project promotes the environmental health of residents of G-8 communities; and the alliance with the Ricky Martin Foundation and the Office of the Ombudsman for Women educates and combats human trafficking and gender violence. The Mayagüez Campus has projects that include *Siempre Vivas*, the Institute for Community Development, the Seismic Network, the Sea Grant Program and 55 agricultural extension offices, each promoting, respectively, violence prevention, sustainable development of communities in collaboration with universities, public safety in the event of an earthquake or tsunami, environmental conservation of coastal and marine ecology, coastal risk management, food security for communities and prevention of diseases related to nutrition.

The pivotal role of the UPR as promoter and custodian of culture, art and history is demonstrated, among other things, through the administration of four (4) museums (Anthropology and History, UPR-RP; Dr. Pío López Martínez, UPR-Cayey; MUSA, UPR-Mayagüez; Casa Roig, UPR-Humacao) and forty-two (42) different libraries open to the community, which constitute the only professional network of public libraries in the country. The UPR also has a publishing house, a newspaper, an FM radio station and one of the most important musical and drama theaters in the country, the Theater of the University of Puerto Rico. To this cultural heritage, we should add dozens of internationally renowned, award-winning artistic groups, including *Coralia*, *Chorium*, *Jóvenes del 98* and the Traveling Theater of the UPR (*Teatro Rodante de la UPR*).

Amidst the fiscal crisis affecting all government levels, no public or private institution exists in the country that can absorb the multiplicity of functions carried out by the University of Puerto Rico system. Nor has there been in the history of Puerto Rico any other institution with greater impact on the promotion of social equity by serving disadvantaged populations in multiple ways, and providing opportunities of all kinds to generations of young people with diverse talents. A valuable example is the Center for University Access (*Centro Universitario para el Acceso-CUA*), which was developed over a decade ago at UPR-Mayagüez. This university-community research project is devoted to developing outreach initiatives that help disadvantaged youth from the lowest socio-economic levels (especially, those living in public housing) to enter the UPR and successfully complete their education goals. Three years ago, CUA was expanded to five other campuses (Bayamón, Carolina, Cayey, Humacao and Río Piedras) and today, with just two years of sustained outreach work, it exceeds the rate of applications and admissions to the UPR in the entire system of public education in Puerto Rico.

The UPR has continued these diverse and vital undertakings despite a decade of economic contraction that has afflicted the country at large. In this same period, the UPR has improved its position in the *SCIMAGO Institution Ranking*, reaching no. 35 among all institutions of higher education in our hemisphere and no. 15 within Latin America and the Caribbean. These feats have been accomplished within the parameters of significant fiscal measures implemented over recent years:

1. Replacement of Act. No. 2 of 1966 (as amended), which allocated 9.6% of Puerto Rico's Consolidated Budget to the UPR, with Act. No. 66 of 2014, which freezes the government contribution at \$833.9 million, forcing the UPR to operate under a significantly lower budget, amounting to \$300 million less in government investment (2014-2017).
2. Raise in the UPR's General Fund income levels by increasing the number of students admitted and through the recovery of indirect costs and other miscellaneous income, without substantially increasing tuition costs for students.
3. Maintenance of savings measures established in 2010 through certifications and circular letters. These measures include the elimination of sabbaticals and annual supplementary payments for books and educational materials, the reduction in bonifications for managerial positions and courses offered by contract, and the freezing of tenure track positions and merit promotions.³

Moreover, Puerto Rico's ruinous financial situation prevented the UPR from receiving \$3,200 million in revenues for services rendered from 2004 to 2015. Of this amount, 52%, or about \$1.673 million, was declared irrecoverable, which is the equivalent to two years of the government's contribution to the UPR's budget. In 2015, the largest debtors, with a total of \$303 million in accounts receivable, were medical plans, the central government and municipal governments. Of that \$303 million, only \$92 million were recovered.⁴ In this light, the UPR has become, in fact, a sensitive and supportive creditor of Puerto Rico and has provided a substantial amount of resources to alleviate the crisis that afflicts us as a country. It has continued to provide essential services in education, health and community development that otherwise would have further afflicted the poorest sectors of the population.

It should be noted that public investment in the UPR yields valuable returns through the multiplicity of services that the institution offers and which are all closely linked to teaching and learning; furthermore, it boosts local economic activity in various ways. The recent study by Alameda and González cited above –which will be discussed in the following section–, shows that the increase in human capital of the institution's graduates significantly strengthens the capacity they will have to generate wealth throughout their lifetime. The difference in wages accrued by a graduate from the UPR compared to a worker without college education is \$25,857 per year (15). If we compare the cost of educating a graduating UPR class to what it will produce economically over thirty (30) years of employment, we find that the annual rate of return on the initial investment in their education is 19.9%, which is considered very lucrative for any company's performance (17). Alameda and González add that for every dollar invested in the UPR, its retirement system and its associated agents, \$1.56 is generated in economic activity for other sectors of the country (12). In terms of job creation, the economists estimate that for every one hundred (100) direct jobs created by university spending, another sixty (60) jobs are created in other sectors (13).

For all the above reasons and additional ones examined in the sections that follow, threatening the economic viability of the UPR is tantamount to an unprecedented generational betrayal and a social catastrophe in the short term. Furthermore, it seriously hinders the possibility of reversing the country's continuing economic contraction. This will, in turn, make economic

³ General Budget UPR, 2016-2017.

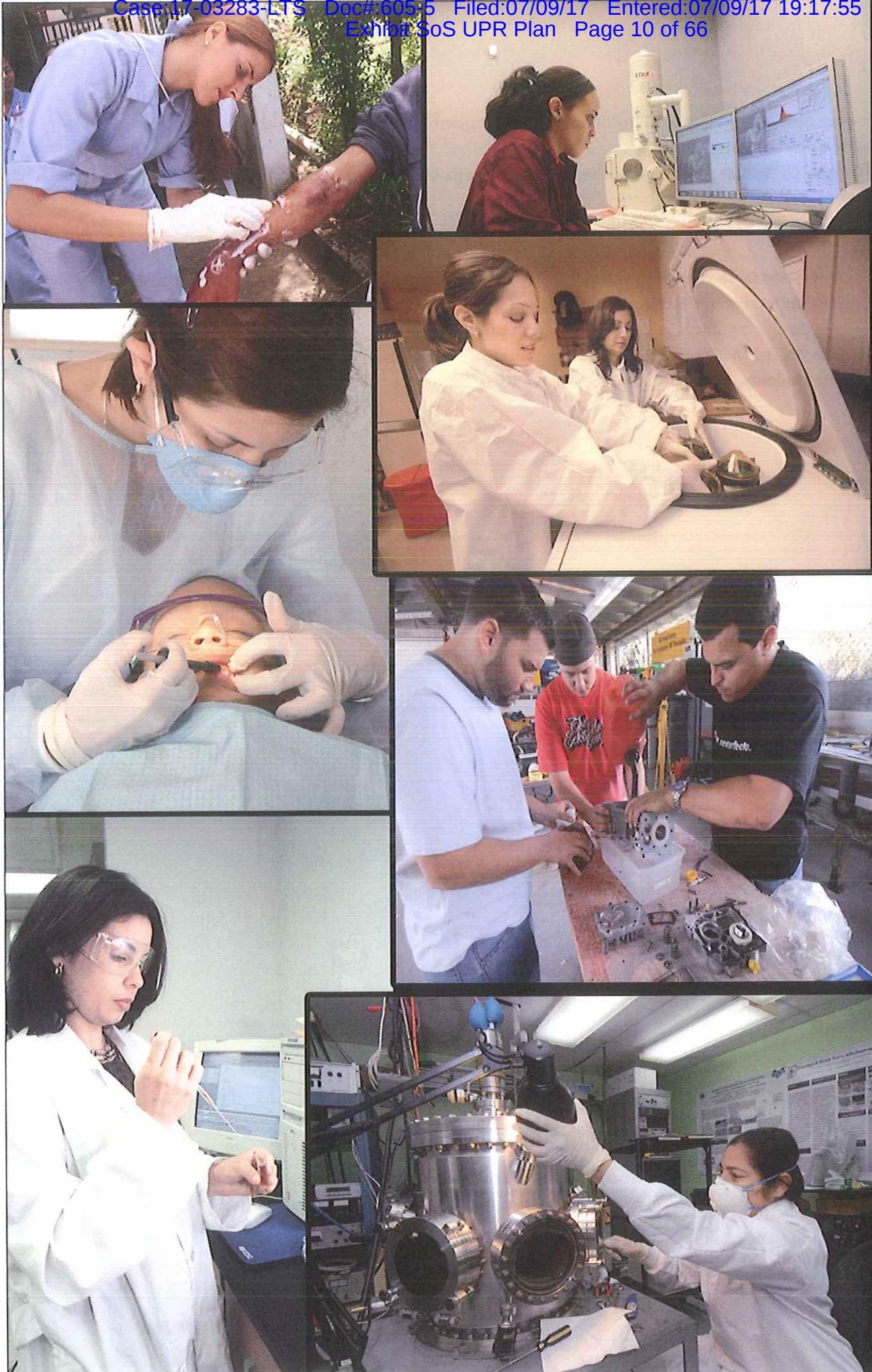
⁴ Argeo Quiñones. "More Real Problems of the UPR," *El Nuevo Día*. 20 April 2017. Retrieved on May 24, 2017. <http://www.elnuevodia.com/opinion/columnas/masproblemasrealesdelaupr-columna-2312644/>.

recovery an even more tortuous and uphill climb, and immediately diminish the ability to address the claims of other creditors.

The *SoS UPR Plan* proposes another viewpoint, a paradigm shift and a sensible and rigorous agenda to ensure that Puerto Rico not only overcomes this economic depression, but rises from it with renewed strength. This Plan is built upon three guiding premises:

1. It is essential to empower the university's comprehensive and multifaceted social mission.
2. It is imperative for the university to model a complete transformation to ensure a responsible and efficient management of public funds.
3. It is urgent that the UPR's teaching, research and productive and beneficial services for our students, and especially, for Puerto Rico, become a priority in budget decisions.⁵

⁵ To offer recommendations on this section of the *SoS UPR Plan*, please visit:
<https://goo.gl/forms/Z8dQtpgh4zs8Clm1>.



*From Government Right Sizing to Government Social Right Sizing:
the UPR and its Essential Role for the Country*

I. FROM GOVERNMENT RIGHT SIZING TO GOVERNMENT SOCIAL RIGHT SIZING: THE UPR AND ITS ESSENTIAL ROLE FOR THE COUNTRY⁶

José I. Alameda-Lozada

Government Right Sizing is the primary conceptual framework employed by the Fiscal Oversight Board (*Junta de Supervisión Fiscal-JSF*). The concept is defined as:

The process of a corporation or restructuring reorganizing their business by cost-cutting, reduction of workforce, or reorganizing upper-level management. The goal is to get the company properly molded to achieve the maximum profit. The term rightsizing is often used by companies instead of downsizing Because it sounds less drastic.⁷

The notion of Right Sizing, derived from the theory of neoliberal economics, is regularly used for analyses within the private sector, but not for the consideration of public sector functions. When the notion is imposed upon the public sector, the government (the public sector) is perceived as equivalent to the private sector. In this light, which is the one the JSF is shedding on Puerto Rico, the government appears too big in terms of public resources, so “subsidies” to public entities, including, in our case, the UPR, must be avoided.

However, international evidence nullifies the argument that higher education funded by the state is an expense or a “subsidy” of public resources. It also challenges the argument that funds directed to public higher education result in a significant loss in funds to other public interest activities, such as health and security, among others. Reports on global competitiveness published by the World Economic Forum in Davos (Switzerland) recognize basic and higher education among the twelve pillars needed to increase a country’s competitiveness.⁸ Education increases the efficiency of each worker individually and fosters competitiveness for the population at large.

“Overall,” as argued by Harry Patrinos from the World Bank, “an additional year of schooling can increase income by 10% per year. This is typically higher than any other investment that an individual can make.” For example: Federal Treasury notes increase income by 1.4%; Treasury bonds by 5.3%; and savings accounts by 4.7%. Patrinos adds:

The value of human capital –the percentage of human capital in total wealth– is 62%.⁹ That is, four times the value of produced capital and 15 times the value of natural capital. Globally, we –the government, the private sector, families and individuals– spend more than \$5,600 thousand million (\$ US) annually on education and training. Countries spend 5% of gross domestic product (GDP) in

⁶ This section includes contents, graphs and tables that appeared originally in Alameda-Lozada and González-Martínez’s study, cited in the Preamble (used with authors’ permission).

⁷ <http://www.businessdictionary.com/definition/rightsizing.html>.

⁸ See the *World Economic Forum*’s reports here: <https://www.weforum.org/>.

⁹ See, for this fact: Hamilton Kirk and Gang Liu (2014). “Human Capital, Tangible Wealth, and the Residual Intangible Capital.” *Oxford Economic Policy Review* (2014) 30 (1): 70-91. <https://academic.oup.com/oxrep/article-abstract/30/1/70/559495/Human-capital-tangible-wealth-and-the-intangible>.

education, or 20% of its national budget. Education employs about 5% of the workforce.¹⁰

In addition, the Nobel Prize-winning economists TW Schultz and Gary Becker have promoted and documented the notion of public education as an investment. Schultz and Becker argue that investment in education explains growth, competitiveness and sustainable development, in addition to the external net benefits of the education-as-investment approach: human capital theory.¹¹ In a nutshell, this theory posits that investing in education provides benefits in terms of obtaining higher wages, creating a strong middle class, producing technological advances, and safeguarding, strengthening and diversifying arts and culture.

A. The Case of the UPR in the Context of Puerto Rico

Together with fellow economist Alfredo González-Martínez, and following the parameters of the theory of human capital, we have studied in depth the essential role that the UPR plays in the country from the perspective of its high social performance and its considerable direct, indirect and induced effects on the economy of Puerto Rico. In our analysis, we consider not only the UPR campus system but also the UPR Retirement System, since the activities inherent to it (such as payroll and workforce) as well as the benefits it offers to university staff who are covered, are sources of financing for their consumption expenditure on durable goods and for their housing investments. Thus, they create socioeconomic impacts attributable to the UPR's existence. Below we highlight just some of the elements of this study, which we recommend considering in its entirety.

First, we underline the comparative analysis between the added value to capital provided by education through high school and that added by the University in Puerto Rico. As shown in Figure 1, during the period from 1999 to 2016, a college graduate and graduate student will have a salary for life of \$1,152,802, the result of \$775.708 provided by a college career, versus \$377.094 for life that would be obtained with a high school education.¹²

¹⁰ Patrinos, Harry. "Why education is important for economic development." World Bank. 05/27/2016.

<http://blogs.worldbank.org/voices/es/por-que-la-educacion-es-importante-para-el-desarrollo-economico>.

¹¹ See Gary S. Becker's classic, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. Chicago: University of Chicago P, 1993.

¹² See our study for a more long-term look at the strengthening of the middle class in Puerto Rico, since the mid-twentieth century to the present, and the preponderant role of the UPR in that development.

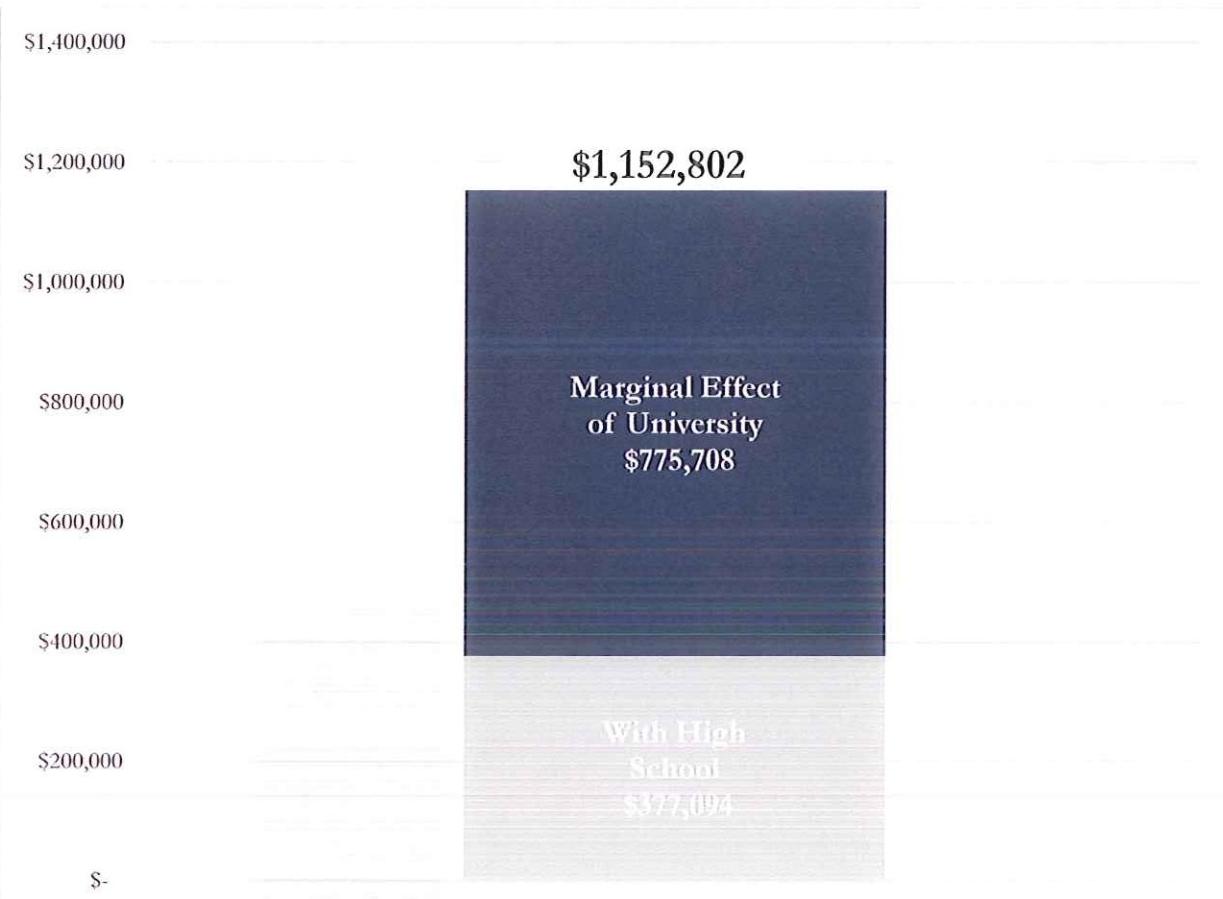


Figure 1: Average Salary for Life: With and Without College Education

In the context of social mobility facilitated by the UPR –which confirms the principles of the theory of human capital outlined above– our study estimates the human capital created by the UPR on graduates between 1999-2016 (see Table 1 and Figure 2 below). The present value of the earnings differential from the productive life of 162,951 graduates amounts to \$126,402.4 million, adjusted to the eventualities of unemployment and of death of graduates during their participation in the labor force. The value of the social investment in these resources was \$29.108 million during the period specified. As Figure 1 shows, we found that the additional average salary for graduates, for life, is \$775.708, which is \$25,857 extra, per year, to the income a person would have received without an education provided by the UPR. This data shows that the average rate of return on social investment in the UPR is equivalent to 434.0% for graduates in a generation, or to 5.2% as an annual average. Therefore, a cut of \$512 million in state investment in the UPR would generate a reduction of \$2.224 million in the local economy in the long run.

The Total Amount of Human Capital: Graduates	1999-2016
Graduates 1999-2016	162,951
Human Capital	
Incremental a/	\$ 126,402,428,324
Additional Wages Created through UPR Education, per person, per lifetime of work for 30 years	\$ 775.708
Additional Wages Created by UPR Education, per year	\$ 25,857
Social Investment in UPR	\$ 29,107,525,063
Social Performance	434.26%

a / 3% discount rate; adjusted to probability of employment and life expectancy

Table 1: Net Value of UPR Graduates' Human Capital

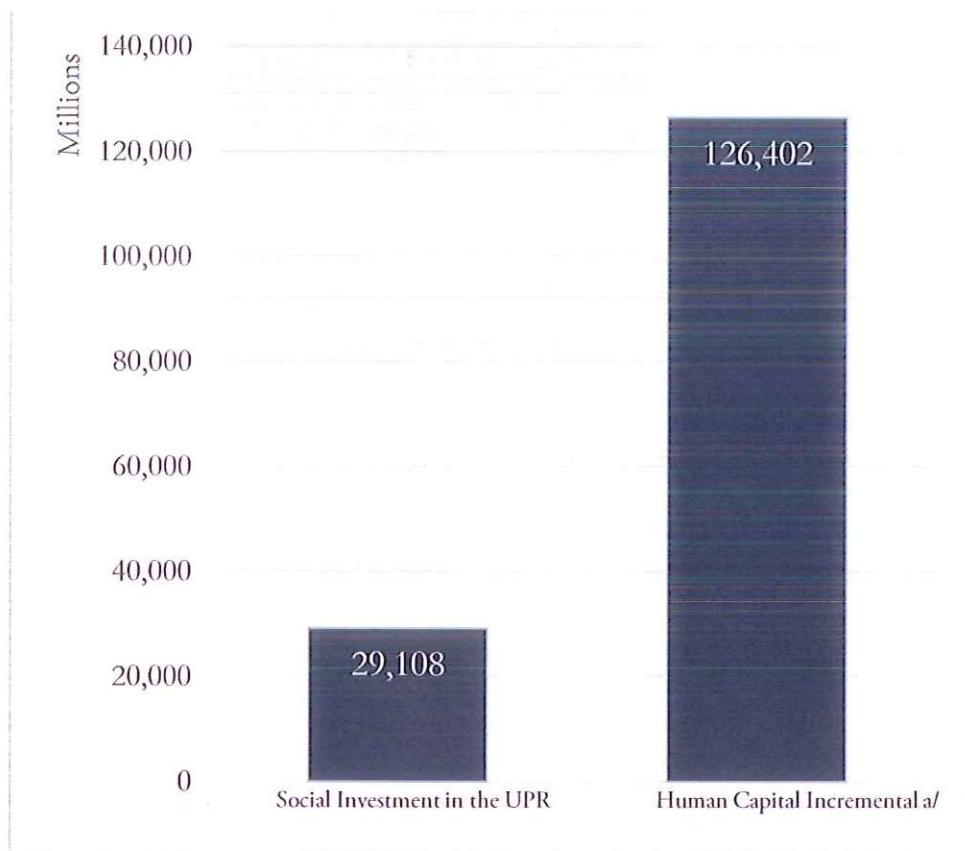


Figure 2: Performance Aggregate Value of UPR Education

It is imperative to note that the amount of accrued wages has significant direct, indirect and induced impacts on our economy. After a matrix analysis of the impact of disbursements from the UPR and its Retirement System (UPR conglomerate) on the amount of wages earned during the years 2010 to 2015, we found that wage compensation in Puerto Rico increased by \$7,824.9 million. This increase had a direct impact of \$3158.4 million, an indirect one of \$1792.2 million and an induced one of \$2869.3 (Table 2).

(\$ Millions)	Direct impact	Indirect Impact	Induced impact	Total
UPR	\$ 2957.0	\$ 1652.0	\$ 2670.0	\$ 7279.0
Retirement System	\$ 201.4	\$ 145.2	\$ 199.3	\$ 545.9
Total	\$ 3158.4	\$ 1797.2	\$ 2869.3	\$ 7824.9
Wage Multiplier				
		<i>Type I</i>	<i>Type II</i>	
UPR		1.56	2.46	
Retirement System		1.72	2.71	
Total		1.57	2.48	

Table 2: Direct, Indirect and Induced Impact on Salary, 2010-2015

In addition, we estimated the rate of average annual yield of the social investment in the UPR. Since we estimated the average annual income at \$313,811,827, with the average discounted value of the expenses incurred by the UPR for the education of its graduates in \$1,575,333,333, we conclude that the average annual yield of the UPR is equivalent to 19.9%, as shown in Table 3. This indicates that Puerto Rican society would benefit from twenty (20) cents on every dollar invested in the UPR from a graduating class for thirty (30) years, which is a very lucrative rate when compared with similar projects for private companies.

		Value (Million \$)
Col. 1	Social Investment in the UPR (Current Average Value 2011-2016)	\$ 1575.30
Col. 2	Net Value of Human Capital (Annual Average of Graduates 2015 and 2016)	\$ 313.80
Col. 3 = (2) / (1)	Annual Performance Rate	19.92%

Table 3: Alternate Rate of Average Annual Performance

Moreover, because of their expenses, both the UPR and its Retirement System have very significant direct and indirect effects on the Puerto Rican economy. Table 4 summarizes the impact of the final demand of the UPR conglomerate's expenditures, detailed in its two main components (UPR and Retirement System), between 2010 and 2015. The value of the gross production amounts to \$19,581.5 million, in 2013 prices. Of that total, the direct effect of the UPR conglomerate is valued at \$12,530.6 million, while the indirect effect amounts to \$7,050.9 million. Thus, from our analysis of the magnitude of the production multipliers of the UPR's disbursements, including its Retirement System, it follows that every million dollars spent by the UPR, the Retirement System and its associated agents has the direct and indirect effect of inducing production activity in other sectors of the Puerto Rican economy ascending to \$1,563,000.

Effects	Retirement		
	UPR	System	Total
Direct	\$11,474.00	\$1056.60	\$12,530.60
Indirect	\$6,410.10	\$640.80	\$7,050.90
Total	\$17,884.10	\$1697.40	\$19,581.50
Multipliers	1.56	1.61	1.56

Table 4: Effects of UPR's Final Demand on Gross Production (\$ million, 2013 prices)

The direct and indirect impact on gross production induced by the UPR conglomerate on the entire economy is also disseminated throughout the ninety-three (93) industry groups that make up Puerto Rico's economy. Table 5 shows the pattern of sectorial impact of the gross production on ten (10) of the most favored industrial sectors, according to the inter-industrial structure in Puerto Rico prevailing in 2013. A simple calculation would indicate the multiplier effect of these expenses on each of the ten most sensitive sectors. For example, the production multiplier on trade would be 1.227, while the multiplier effect on the government would be 1.0. Compare each of these with the gross production multiplier for the whole economy, which is equivalent to 1.563.

NAICS	Industry	Gross Production	Percentage
50000	Commerce	\$2,858,337.00	14.6%
90100	Government	\$2,347,010.00	12.0%
65100	Real Estate	\$1,914,292.00	9.8%
28300	Pharmaceutical	\$948,088.00	4.9%
61100	Commercial Banks	\$851,305.00	4.4%
37000	Transportation Equipment	\$687,742.00	3.5%
15100	New Construction	\$561,569.00	2.9%
90200	Municipal Government	\$535,287.00	2.7%
90300	Federal Government	\$432,196.00	2.2%
48100	Communications	\$426,230.00	2.2%
Sub-total		\$11,562,056.00	59.2%
Total	1.56	\$19,536,650.00	100.0%

Table 5: Direct and Indirect Impact on Gross Production (thousands \$)

It is important to factor in as well the fact that direct payments from the UPR System have an expansive impact on aggregate and sectorial employment, which manifests itself in direct, indirect and induced forms through repercussions in consumption. These effects are formally identical to the ones explained concerning salaries. Table 6 shows a summary of the values of the direct, indirect and induced impacts on employment due to the activity of the UPR and its Retirement System. From the direct impact equivalent to 25,881 jobs derived from the UPR conglomerate's expenses, 14,785 jobs have been generated indirectly and 27,718 in an induced manner, for a total impact on employment of 68,384 during the period 2010-2015.

The employment multiplier type I (1.6) implies that, for every 100 direct jobs that are created through the country's investment in the university, 60 additional positions are created in the

economy in other sectors. If we were to use the employment multiplier type II, which includes the induced effect through consumption generated in the process (2.7), the implication would be that for every 100 additional direct positions created by the UPR conglomerate's expenditures, another 170 additional jobs would be generated in other sectors, including those that are marginally added to the UPR during the same lapse of time (Table 6).

Annual Average	Direct Impact	Indirect Impact	Induced Impact	Total
UPR	23,877	13,339	25,936	63,152
Retirement System	2,004	1,446	1,782	5,232
Total	25,881	14,785	27,718	68,384
UPR				
Multiplier				
Type I		1.56		
Type II			2.64	
Retirement System				
Multiplier				
Type I		1.72		
Type II			2.61	
Total				
Multiplier				
Type I		1.57		
Type II			2.64	

Table 6: Direct, Indirect and Induced Impacts on Employment

Table 7 and Figure 3, below, synthesize the relative impact of the activity generated by the UPR conglomerate in terms of its production, salaries, and employment, in relation to the corresponding numbers in the Puerto Rican economy.

	UPR	Puerto Rico	Ratio
Final Demand	\$3,264.00	\$124,200.00	2.63%
Salaries a/ Employees	\$1,304.00 68,384	\$25,710.00 1,003,000	5.07% 6.82%

a/ millions, 2013 prices

Table 7: Relative Impact of the Activity Generated by the UPR Conglomerate

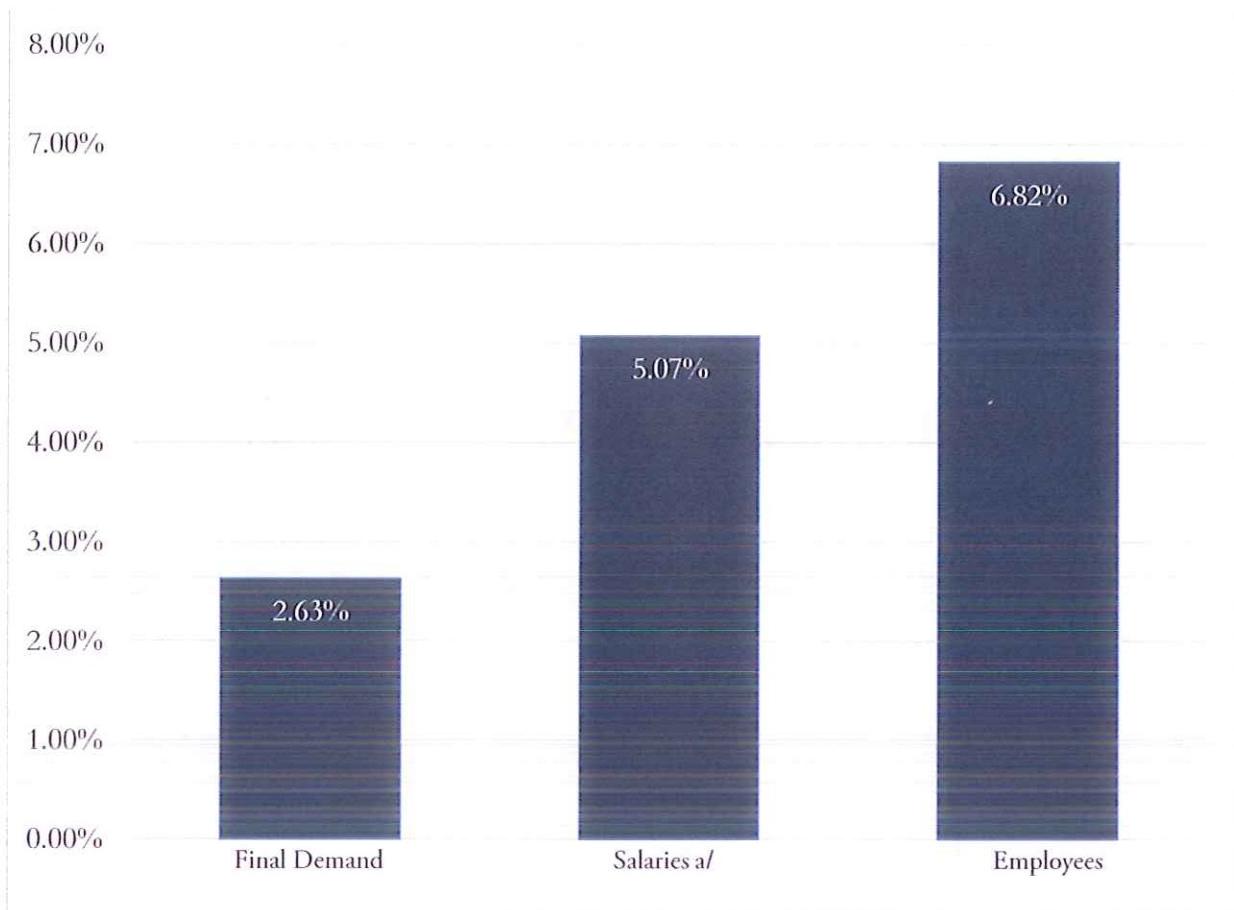


Figure 3: Relative Impact of the Aggregate Activity of the UPR Conglomerate

Finally, it is imperative to consider as well, taxes payable from UPR salaries and from the Retirement System payroll (see Table 8). During the period from 2010 to 2015, the UPR conglomerate directly contributed \$535 million in income taxes from employees of both entities. The injection of salaries paid by the UPR and its Retirement System incite direct, indirect and induced effects equivalent to \$429.0 million in total, during the period under analysis. In this same period, the Puerto Rico Sales and Use Tax (*Impuesto a las Ventas y Uso-IVU*), for its part, caused direct, indirect and induced effects totaling \$437.6 million. The grand total of taxes generated from the UPR conglomerate's activities totals \$1,607 million between 2010 and 2015, at 2013 prices. An additional \$2.9 million in taxes paid by the same conglomerate as a contributory unit should be added, for a total of \$1,610 million from 2010 to 2015.

	Salaries	IVU	Total
UPR + Retirement System	535.0	205.3	740.3
Effects			
Direct	99.3	169.7	269.0
Indirect	126.0	103.2	229.2
Induced	203.7	164.7	368.4
Total	964.1	642.9	1,607.0

Table 8: Taxes Paid (millions \$, at 2013 prices)

Within the factual panorama described above –and recognizing that the UPR diligently fulfills its primary educational and professional training mission and, also, offers a multiplicity of services to the country and its economy (detailed in the following section)–, it is evident that the *Right Sizing* concept is not applicable to the UPR. It is a fitting concept only for private businesses whose main goal is to generate profit for their owners. The UPR cannot, and should not, be subjected to the equation of private net benefits, but rather to *social net benefits*. Therefore, *Government Social Right Sizing* is the appropriate conceptual framework to address a social system such as the UPR. The basis for this paradigm shift are the following:

1. The UPR should be considered as a State project that yields superior and permanent benefits to the expenditures resulting from taxes paid by Puerto Rico's taxpayers. The UPR cannot be treated as a private business, even if considered a nonprofit corporation.
2. The best way to rise from the secular stagnation in which Puerto Rico finds itself is to dedicate more financial attention to higher education, especially to public education. As indicated above, studies from the World Bank affirm that, in effect, education is a life preserver for any country or region in social and economic crisis.
3. Resources from Puerto Rico's General Fund should be considered an *investment* (not an expense) because of their positive multiplier effects in the formation of human and cultural capital, health care and the protection of natural resources, among others.
4. Allocating State resources to the UPR formula channels much-needed investments to the formation of human capital, in contrast to what would result if it were left to the ebbs and flows of the taxpayers' will.
5. Allocated and permanent resources from the State to the University promote lower tuition costs, since society recognizes the created value in human capital and professionals trained, as well as the extremely unequal distribution of income and wealth in the capitalist economic system.
6. State investment in higher education, that is, in the UPR, promotes a better distribution of income and wealth in the country, which results in a better quality of life for the graduates who, in turn, contribute to the general economy.

It is, therefore, evident that public funds –around \$1,000 million from the UPR– not only benefit the sixty (60) thousand students the institution currently serves. The UPR's services to the Puerto Rican people, which are further discussed in the following sections, extend far beyond this

figure and make the budgetary cost for each beneficiary much lower than \$21,000. Also, the UPR systemic structure, formed by principal and regional campuses, generates a continuous platform of educational evolution. This system moves the student through complementary routes (second bachelor's degrees, curricular sequences or minors, participation in research projects, creative projects, internships, and others) to her/his regular major of choice. Such a system allows for the exploration and intensification of the students' intellectual and creative capacities, minimizing frustration and the waste of human capital. This is confirmed by the fact that the UPR has the highest retention and graduation rates of all institutions of higher education in Puerto Rico and enrolls and graduates the largest number of students in the country. Undoubtedly, the UPR's multiple services are not only indispensable for Puerto Rican society at large but also enable the institution to fulfill its imperative mission with regards to a holistic education of excellent quality.

B. The UPR's Social Role for the Benefit of Puerto Rico

In addition to the formation of human capital –which is a multiplier for our economy and has, as a result of its UPR experience, more productive, sensible and ethical capacities–, the multiple dependencies and sectors of the UPR, as well as its alumni, offer many services to Puerto Rico. These include, but are not limited to, the following:

1. Health care in UPR's hospital facilities, which constitute a *safety net* in Puerto Rico and have a complementary function in the teaching of medical and paramedic personnel.

Law 112-1997 created University Medical Services, Inc. (*Servicios Médicos Universitarios, Inc.*), a nonprofit organization affiliated to the Medical Sciences Campus, to operate the UPR hospital Dr. Federico J. Trillas in Carolina. The cost of Hospital Dr. Trillas was \$36 million. The credit rating agency [Moody's \(March 12, 2015\)](#) recognizes this corporation as a social *safety net*, since it provides care for indigent persons who do not have medical insurance while maintaining its operations with an ample social criterion. For example, Dr. Trillas attended 54,087 patient days in 2016.

Likewise, the UPR medical hospital facilities, as centers of medical and paramedical education, involve teaching, training and research in the Medical Sciences Campus (RCM), Hospital Dr. Trillas, the Comprehensive Cancer Center, the Center for Diabetes of Puerto Rico, the Cardiovascular Center of Puerto Rico and the Caribbean, as well as other facilities related to these endeavors. These centers of economic activity provide paramedical services as well. Thus, patients, as well as their companions, acquire consumer goods while visiting the facilities.

Combining various data sources, we have estimated that the facilities of the Río Piedras Medical Center received 210,626 patients during the 2014-2015 fiscal year, who needed a wide range of health services in external clinics: trauma incidents, hospitalizations, ambulatory treatments and emergency room services. From more specific sources, and with dimensions proportional to Puerto Rico, we have figured that the University Hospital for Adults, the Pediatric Hospital, the Cardiovascular Center of Puerto Rico and the Caribbean, and Hospital Dr. Trillas totaled 178,205 patient days hospitalized in 2015. This number represents 7.4% of the total hospitalizations in Puerto Rico for that year.

The *UPR Audited Financial Statements* for years 2010 to 2015, related to UPR revenues, accounts receivable and expenses, show that the contribution to Public Health through the School of

Medicine, the RCM, and affiliated hospitals, among others, all originated services to patients in the facilities in question (see Table 9). The revenues derived from these services to patients during the same period exceed \$400 million, which is equivalent to 22.1% of the total operational revenue.¹³

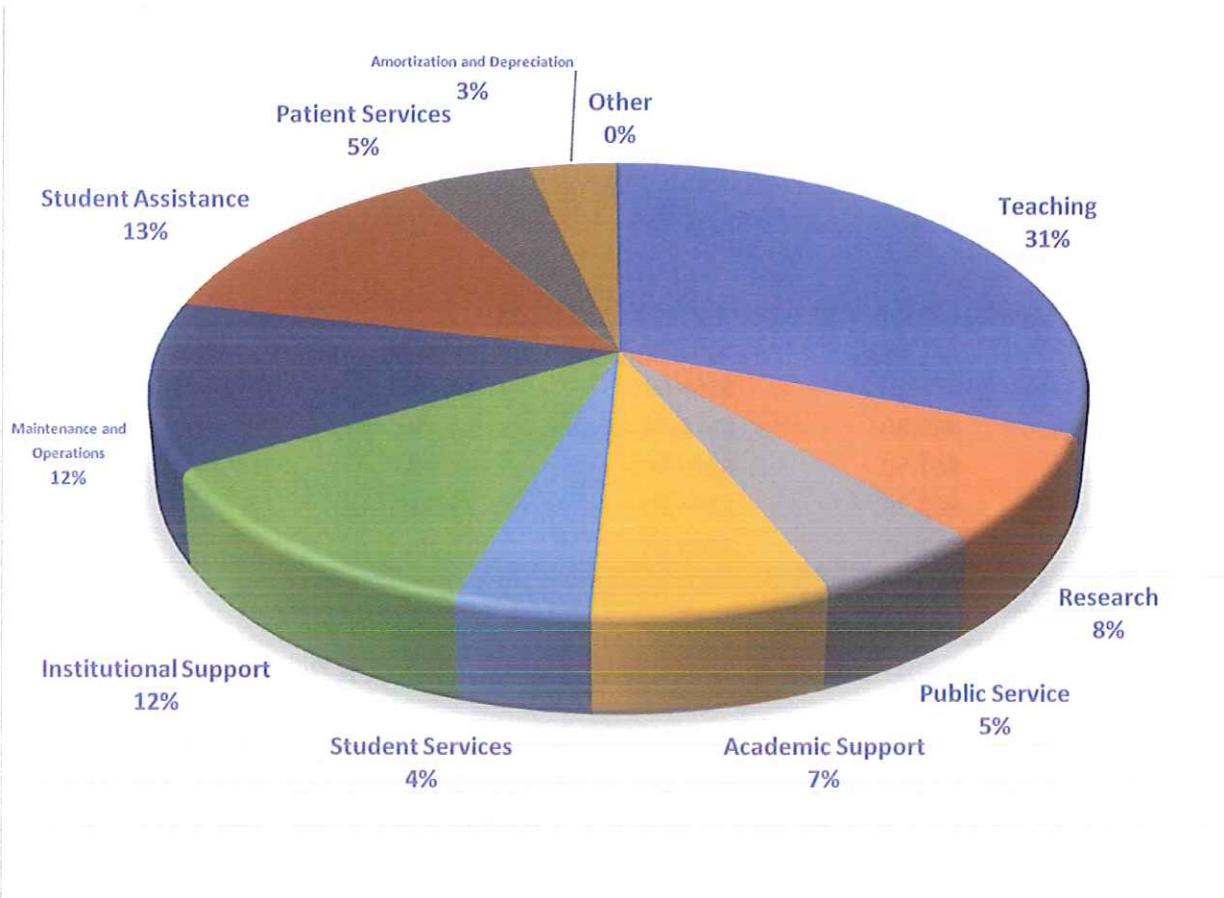
Fiscal Year	Revenues for Services to Patients	Operational Revenues	Percent of Revenues due to Services Provided with respect to Total Operational Revenues
2010	\$51.40	\$265.00	19.4%
2011	\$71.50	\$355.00	20.1%
2012	\$86.80	\$371.00	23.4%
2013	\$65.50	\$299.00	21.9%
2014	\$67.70	\$264.00	25.6%
2015	\$57.80	\$260.00	22.2%
2010-15	\$400.70	\$1,814.00	22.1%

Source: *UPR Audited Statements*. Several issues from 2010 to 2015.

Table 9: Revenues for Services to Patients, Total Operational Revenues, UPR (in millions \$)

The UPR Audited Financial Statement for 2015 represented in Figure 4 breaks down the composition of total expenses (24), and illustrates that Patient Services is equivalent to 5% (\$60.2 million). It is worth noting that this item is greater than Student Services (4%) and Amortization and Depreciation (3%), while representing the same average as Public Service (5%).

¹³ See *UPR Audited Financial Statements* (2002 to 2006).



Source: *UPR Audited Financial Statement, 2015.*

Figure 4: Expenses per Function (in thousands \$)

The operations recognized as Patient Services should be added to accounts receivable for services rendered. Therefore, revenues received plus accounts receivable are a substantial evidence of the UPR's contribution in terms of health care for local residents, as shown in Table 10. The value of services to patients thus reaches an annual average close to \$100.0 million per year, for years 2013 to 2015.

Fiscal Year	Patient Services Revenues	Accounts Receivable	Total Value of Services
2013	\$65.50	\$27.50	\$93.00
2014	\$67.70	\$32.90	\$100.60
2015	\$57.80	\$38.30	\$96.10
2013-15	\$191.00	\$98.70	\$289.70

Table 10: Revenues and Accounts Receivable in Patient Services, UPR (in millions \$)

Furthermore, the significant role of the UPR in health care is not only registered through its revenues, but also through its operational expenses (see Table 11). Between 2012 and 2015, the

expenditure for patient services amounted to \$253.0 million, which corresponded to 4.8% of the total expenses of the UPR. It should be acknowledged that this figure could be underestimated since salary payments to students and residents are lower than the salaries and marginal benefits that professionals and technicians receive in the labor market.

Fiscal Year	Expenses for Patient Services	Total Expenses	% of Expenses for Patient Services of the Total Expenses
2012	\$68.00	\$1,321.00	5.1%
2013	\$62.60	\$1,330.60	4.7%
2014	\$62.20	\$1,330.60	4.7%
2015	\$60.20	\$1,266.20	4.8%
2012-15	\$253.00	\$5,248.40	4.8%

Source: *UPR Audited Financial Statements*.

Table 11: Expenses in Patient Services, UPR (in millions \$)

2. Act as custodian and promoter of the socio-cultural, artistic, historic, scientific and natural patrimony of Puerto Rico, the Caribbean and the world, in response to the UPR's social and academic commitment to research and the generation, dissemination and preservation of human knowledge.

The patrimony of the UPR includes a multiplicity of archives, collections, and libraries that must be safeguarded. The forty-two (42) libraries of the institution, accessible to the Puerto Rican community, constitute the only professional network of public libraries in the country. Also, the UPR is the agent and custodian of artwork, buildings and monuments, as well as natural reserves and botanical gardens.

The following, widely recognized initiatives, also attest to the cultural worth of the UPR: *La Torre* review, *Diálogo* newspaper, Information Systems (including the UPR radio stations), the University of Puerto Rico Press, the Botanical Garden in Río Piedras and the Juan A. Rivero Zoological Park in Mayagüez, among others. Likewise, the UPR manages four museums, namely: Anthropology and History, UPR-RP; Dr. Pío López Martínez, UPR-Cayey; MuSA, UPR-Mayagüez; and Casa Roig, UPR-Humacao. The institution also has one of the most important musical and performance theatres in the country, namely the University of Puerto Rico Theatre. In addition, the UPR has cultivated dozens of well renowned and prized artistic collectives such as: *Coralia*, *Chorium*, *Jóvenes del 98* and the Travelling Theater (*Teatro Rodante*) of the University of Puerto Rico.

3. Promote, as an integral part of its teaching, research and creative mission, entrepreneurial leadership, cooperativism, and the creation of businesses in the context of a sustainable, viable and equitable economic development for the country.

The official relationship between the Business Administration Faculty of the Río Piedras campus and the international organization *Global Entrepreneurship Monitor* (GEM) is a prominent example of the UPR's service to Puerto Rico in this respect. Through annual reports, GEM assesses

entrepreneurial skills and attitudes prevailing internationally. The application of its methodology to initiatives in Puerto Rico has allowed the assessment of its results, which, in turn, promotes efficient entrepreneurship. The agreement between the Business Administration Faculty in Río Piedras and GEM also gave way to the creation of the Aeronautic and Aerospace Institute of Puerto Rico in collaboration with the Department of Education and the Puerto Rico Industrial Development Company –Economic Development Department–, where the University of Puerto Rico in Aguadilla will develop an Associate Degree in Aeronautics and Aerospace.

Other campuses are also active in the entrepreneurial development of students by means of formal courses or extracurricular activities. Prominent examples include: the Center for Entrepreneurial Development at UPR-Humacao, which acts distinctively as an incubator for businesses, serving the university community and other interested sectors in the region; the Center for Management and Operational Excellence (*Centro de Excelencia Gerencial y Operacional-CEGO*) of the Business Administration Faculty at UPR-Mayagüez, whose Entrepreneurial Development branch has established an alliance with the Center for Business and Economic Development to assist government dependencies, existing businesses and social organizations; and campus cooperative initiatives, such as the *Cooperativa Mixta IUPICoop Café* (UPR-Río Piedras) and the *Primera Cooperativa de Ahorro y Crédito de Puerto Rico* (UPR-Mayagüez).

4. Maintain a leadership role in research, scientific innovation and socio-humanistic research and creative activity in Puerto Rico and the Caribbean.

The UPR leadership in these areas is confirmed by the *Informe Iberoamérica 2015*. In this report, the UPR occupies position no. 26 in Latin America and the Caribbean, and no. 50 in Ibero America, among over 1,600 universities in the area. From its laboratories, workshops and research-study centers, in areas such as medicine, engineering, agriculture, socio-humanistic sciences and marine biology, the university personnel dedicated to research and creation explore new hypotheses, produce creative work and validate ancient knowledge to inspire, disseminate and preserve human knowledge. In applicable fields, created knowledge is turned into innovative technologies that propel industrial development and promote the creation of new businesses.

The results of these efforts, which are based on student-faculty collaborations, can be measured by the quantity and quality of articles published and of presentations in scientific, professional and humanistic conferences (see Figure 5).

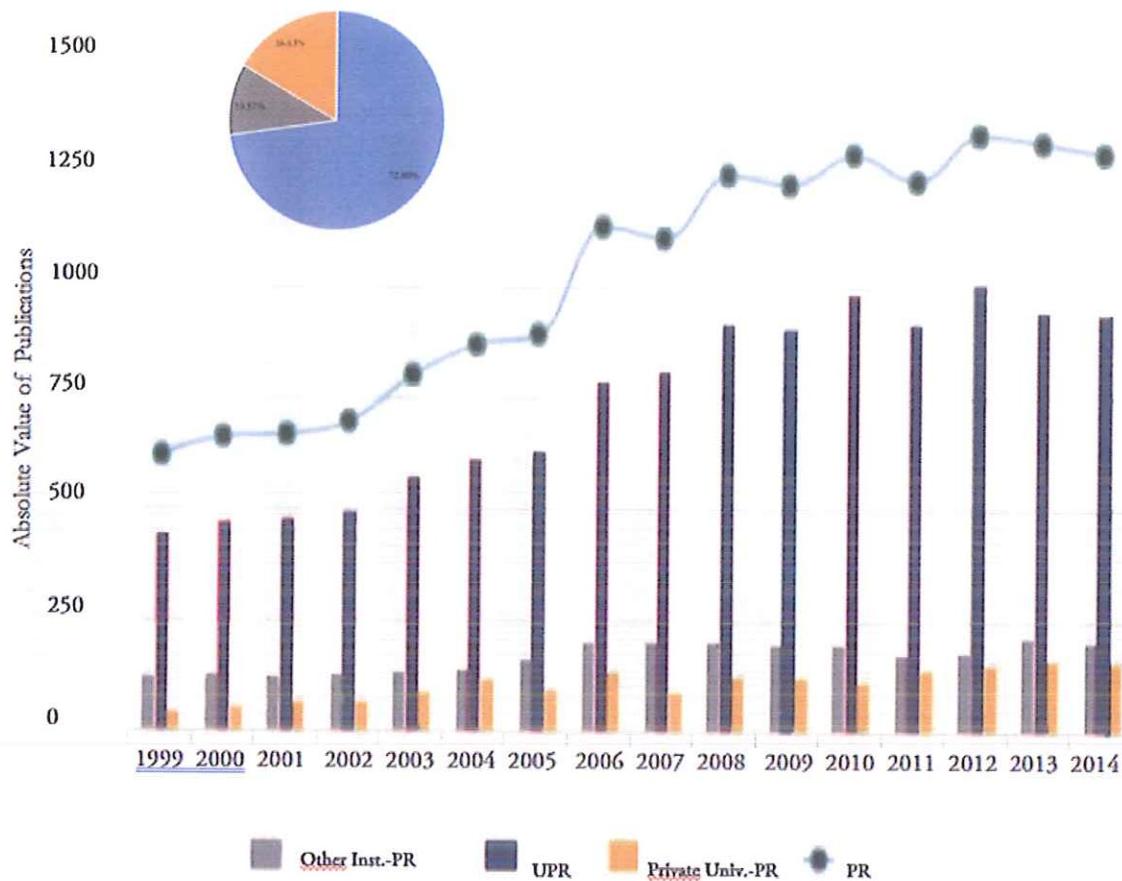
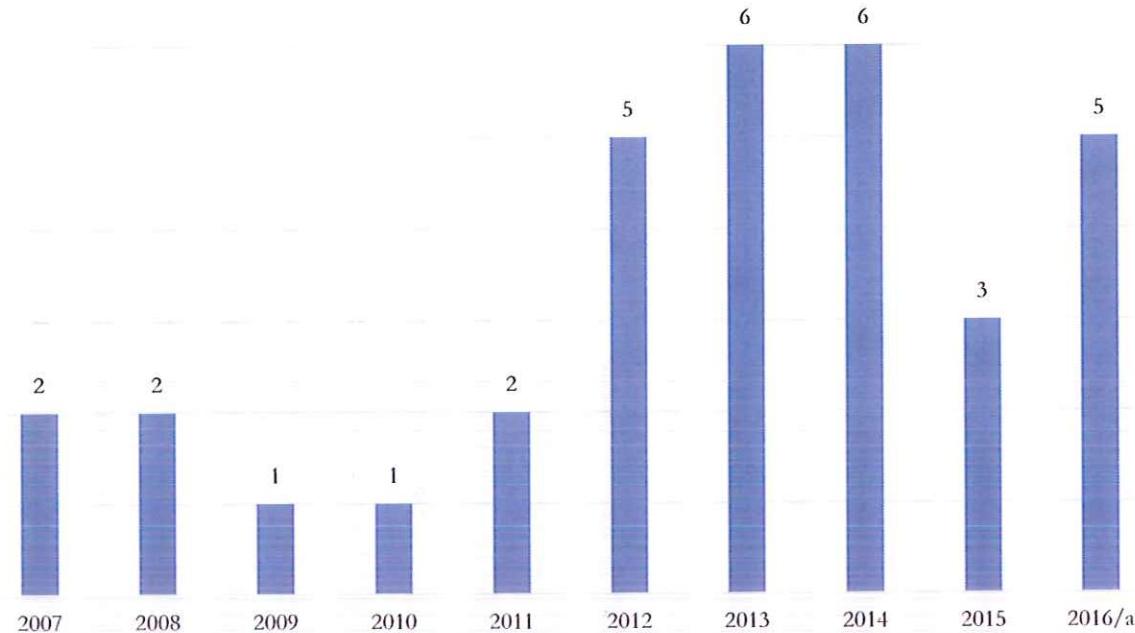


Figure 5: Scientific Production in Puerto Rico (1999-2014)

It should be noted that evaluations from the *SCIMAGO Institutions Rankings* demonstrate the excellent quantity and quality of the scientific production stemming from the UPR. Between 2009 and 2016, the UPR ascended 26% in the general category of 1,600 research institutions, and was ranked no. 502 in the universal ranking, no. 35 in our hemisphere and no. 15 in Latin America and the Caribbean.

The results of institutional endeavors in this area may also be confirmed through registered patents, innovations and technological transfers to businesses. For example, between 2010 and 2015, the *US Patent and Trademark Office-USPTO* granted 25 patents to researchers of the UPR (see Figure 6). At present, the total number of patents granted to the UPR amount to 62. In the 2016 certification process, the UPR had 108 patent petitions and 124 invention discoveries submitted.



Sources: University of Puerto Rico-Mayagüez, General Library, and U.S. Patent and Trademark Office (USPTO).

Figure 6: Patents Granted to the UPR (2007-2016)

5. Secure and strengthen the UPR's accountability and relevance to all social sectors of the country.

The UPR disseminates relevant information, conducts research with the objective of producing sensible public policy, and offers practical training to multiple social sectors, such as: farmers and agricultural workers, domestic workers, fishermen and women, and high school students in public and private schools, among others. In each UPR campus, there are Continuing and Professional Education Programs that offer a variety of short courses of practical value to consumers, businesses and citizen organizations, particularly adequate to regional community needs and circumstances. Noteworthy examples in this area are the Agriculture Extension Service (*Servicio de Extensión Agrícola-SEA*), which serves 175,290 people in the country; the Sea Grant Program (PSG), which benefits 22,000 persons per year; the Institute for Community Development, which works with students and communities following a participatory action-research methodology, to design, implement and sustain development projects in impoverished communities throughout the country; and the *Siempre Vivas* Program, which constitutes one of the very few assistance and counseling programs in the west coast of the main island for women who confront gender violence.

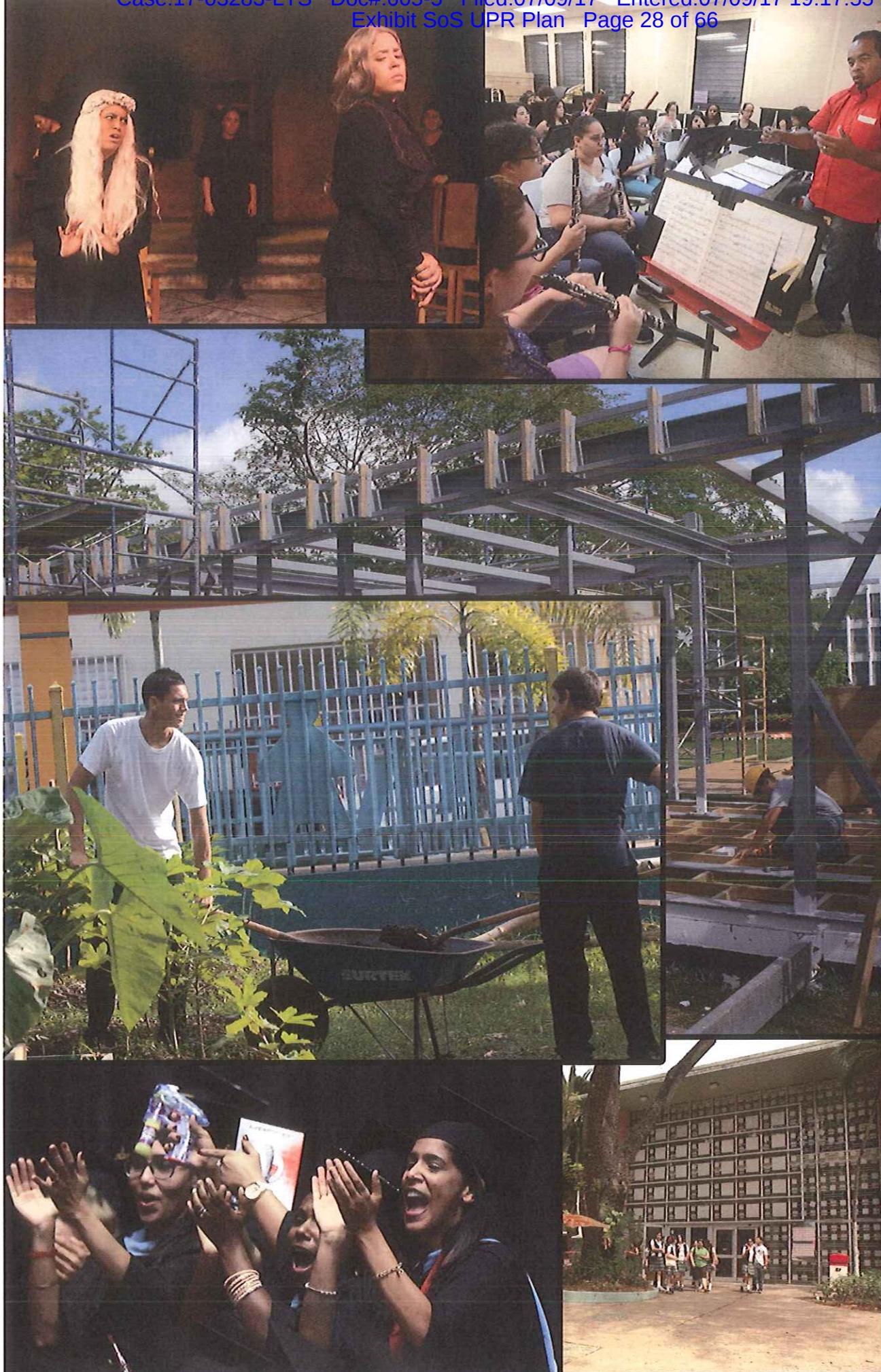
Likewise, the Puerto Rico Seismic Network (*Red Sísmica de Puerto Rico-RSPR*) stands out as another university dependency of great national and regional relevance. The RSPR, which has 25 seismic stations classified in short period stations and wide band stations, depending on the type of

sensor or seismometer used to register earthquakes, has part of its equipment –including repeating stations and a data gathering center– installed in Puerto Rico. Services rendered by the RSPR are offered, especially, to coastal populations in Puerto Rico, which are estimated at 2.8 million people. The network also provides services to communities, such as the Caño Martín Peña.

Finally, the Center for University Access (*Centro Universitario para el Acceso-CUA*), which originated in the Mayagüez Campus over a decade ago, constitutes a prominent example in the area of essential services offered by the UPR. This community-university project is dedicated to research and outreach initiatives that seek to facilitate access to and means to complete higher education degrees to disadvantaged youth, primarily those who live in public housing and other low-income dwellings. Three years ago, the CUA was developed systemically to include under its perimeter of action another five UPR campuses (Bayamón, Carolina, Cayey, Humacao and Río Piedras). At present, after only two years of sustained outreach work, the systemic CUA exceeds the rate of applications and admissions to the UPR from the entire Puerto Rican public education system.

The previous examination of the UPR's prolific and positive economic impact, as well as its fundamental social contributions, demonstrates the institution's essential role for Puerto Rico and the urgency of tackling the present fiscal crisis from the *Government Social Right Sizing* principle, upon which the *SoS UPR Plan* is built. With a strengthened UPR resulting from the application of the *Government Social Right Sizing* premise, we will be able to guarantee greater benefits and less suffering for all social sectors of the country, especially the underprivileged ones. There is no question that the UPR is, in and of itself, a fundamental *safety net* for Puerto Rico, whereby its diverse and rich endeavors constitute an essential service towards our sustainable recovery. Without the UPR's multiple social functions, the country would have little or extremely limited possibilities to come out of the current crisis.¹⁴

¹⁴ To offer recommendations on this section of the *SoS UPR Plan*, please visit:
<https://goo.gl/forms/U34VYCh1WKQjcbDh1>.



Sustainable Fiscal Scenarios for the UPR

II. SUSTAINABLE FISCAL SCENARIOS FOR THE UPR

Within the conceptual framework of *Government Social Right Sizing*, the *SoS UPR Plan* is guided by seven principles.

1. The University of Puerto Rico is the main catalyst for sustainable economic development for Puerto Rico and, therefore, constitutes an **essential service** to the country and its constituents. The UPR educates professionals and technicians and thus contributes to optimizing the sustainable development that Puerto Rico needs at this juncture and to strengthening the public health system with the services it offers to the medically indigent population. Thus, as established in the previous section, the UPR ensures an economic multiplier effect in various sectors of economic activity, at a rate of \$1.56 per dollar invested in it. The UPR has been contributing substantially to alleviate the economic crisis of Puerto Rico through the following measures:
 - a. Replacement by the Puerto Rican Government of Act. No. 2 of 1966 (as amended), which allocated 9.6% of Puerto Rico's Consolidated Budget to the UPR, with Act. No. 66 of 2014, which freezes the government contribution at \$833.9 million, forcing the UPR to operate under a significantly lower budget, amounting to \$300 million less in government investment (2014-2017).
 - b. The UPR raised the income levels of its General Fund by increasing the number of students admitted and through the recovery of indirect costs and other miscellaneous income, without substantially increasing tuition costs for students.
 - c. The UPR maintained compliance with the savings measures established in 2010 through certifications and circular letters. These measures include the elimination of sabbaticals and annual supplementary payments for books and educational materials, the reduction in bonuses for managerial positions and courses offered by contract, and the freezing of tenure track positions and merit promotions.¹⁵
2. In fact, the UPR is a **creditor-in-solidarity** with the Commonwealth of Puerto Rico for services rendered in various dependencies, especially in terms of health care for medically indigent populations. During the period of 2004-2015, Puerto Rico's ruinous financial situation forced the UPR to stop receiving income from services rendered that reached \$3,200 million. Fifty two (52) percent of this figure –about \$1,673 million– was declared irrecoverable thereafter. The figure is equivalent to two years's worth of government contributions to the UPR budget. In 2015, the largest debtors, with an amount of \$303 million in accounts receivable, were medical plans, the central government and municipal governments. Of those \$303 million, only \$92 million were recovered.¹⁶
3. The UPR works towards the administrative and academic transformations necessary to enhance its impact, **intensify its efficiency**, and make all possible savings.

¹⁵ *General Budget UPR, 2016-2017*.

¹⁶ See Argeo Quiñones' column cited in the Preamble.

4. The UPR is also identifying and operationalizing **new sources of income** in areas of opportunity, especially through professional services and innovation in public and private dependencies.
5. Conscious of the fiscal adjustments made in the Commonwealth's certified budget, the UPR proposes that the goal of **reducing governmental subsidies be distributed according to the economic impact** of the parties involved, as detailed below.
6. Considering the formula for Puerto Rico's investment in the UPR as amended by Law 66 of 2014 (\$833.9 million), the Commonwealth's General Fund income projections, and the collection premises destined for the General Fund in the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board, **the public university would already suffer an automatic reduction in government investment of \$320 million by 2018, and up to \$212 million by 2026.¹⁷**
7. The UPR is committed to strengthening its distinctive academic offer –both for the benefit of Puerto Ricans from all socio-economic sectors and for international students (undergraduates and graduates). Thus, it is imperative **to strengthen its faculty resources** within just labor conditions. Renewing the faculty resource will allow the UPR to thoroughly revalidate its social role and to strengthen, in turn, the UPR's Retirement Trust Fund.

These guiding principles inform the following formula for a **Sustainable Fiscal Plan for the UPR**:



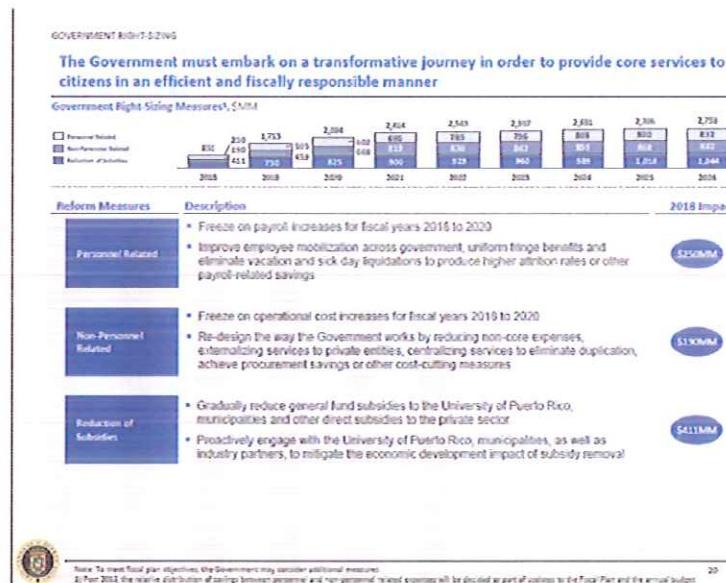
Therefore, the ***SoS UPR Plan*** proposes three fiscal scenarios, described below.

¹⁷ Without the freezing of the governmental contribution at \$833.9 million, the UPR would have received an estimated \$1,154 in 2018 and \$1,046 in 2026, in accordance with the revenue estimates contained in the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board (JSF).

A. Scenario I: Re-distribution of the Greater Weight of Government Investment Reduction to Credits and Private Tax Incentives

José Caraballo Cueto, UPR-Cayey and Marcel Castro Sitiriche, UPR-Mayagüez

The greatest weight of the credits and tax incentives reduction should be borne by the private sector, mainly by reducing its ineffective or useless tax credits and incentives (see [Ramón Cao et al.](#) and [Espacios Abiertos](#)).¹⁸ Although the [Commonwealth's Fiscal Plan](#), as certified by the Fiscal Oversight Board, indicates that the government should reduce its "subsidies" to the UPR, the country's municipalities and the private sector (20), within the public discussion on these matters and even within the highest UPR leadership, most of the reduction is assumed for the UPR (\$450 million, of a total "subsidy" reduction of \$825 million by 2020). No specification is made about the amount of reduction the private sector will endure.



In contrast to this logic, and according to research by the economist Ramón Cao et al., there are hundreds of millions of dollars in useless tax incentives that benefit the private sector and do not generate returns for the Puerto Rican people. In contrast, Alameda-Lozada and González-Martínez's research (cited above) solidly demonstrates that investment in the UPR generates a high return of economic performance in the country.¹⁹ Even PROMESA²⁰ requires an inventory of private sector subsidies (70), which has not been made to date.²¹ Therefore, it is absolutely necessary that the government of Puerto Rico makes the largest reduction in subsidies to the private sector, and that,

¹⁸ Once an inventory of these private sector credits and incentives is completed, and an audit is made of their performance for Puerto Rico's common good, one could validate the estimate of useless credits, which hover around \$500 million, per year, which is exactly the maximum amount that threatens the country's investment in the UPR.

¹⁹ <https://www.scribd.com/document/349462055/UPR-Inversio-n-2017-Sonia-Bartolomei>.

²⁰ Law 114 of the United States Congress (2015-2016). PROMESA stands for Puerto Rico Oversight, Management, and Economic Stability Act.

²¹ These incentives to the private sector must be audited as part of the process of debt audit, which is amply supported by Puerto Rican society.

with this public policy decision, retracts from implementing the disproportionate cuts it intends to make to the UPR. Private enterprise cannot continue to be ineffectively subsidized while the Puerto Rican people's public university is unfairly submitted to ruthless budget cuts.

Figure 7 shows the total reduction in subsidies required by the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board (20). It details the reduction of the government's investment to the UPR (in blue) using a portion of the 9.6% formula of the General Fund income, as it has been applied with different variations from 2006 to 2014. The Fiscal Plan's financial projections were the basis to estimate the UPR's budget and the reduction in governmental contribution that results from it. For the 2017-2018 fiscal year, the reduction in investment to the UPR appears at zero, since the 9.6% of the UPR's income is greater than the annual frozen budget (\$833.9 million). From then on, cuts to the UPR fluctuate between \$8 million in 2019 and \$128 million in 2023. On the other hand, cuts to the private sector and municipalities range from \$411 million in 2018 and increase to \$932 million in 2026.²²

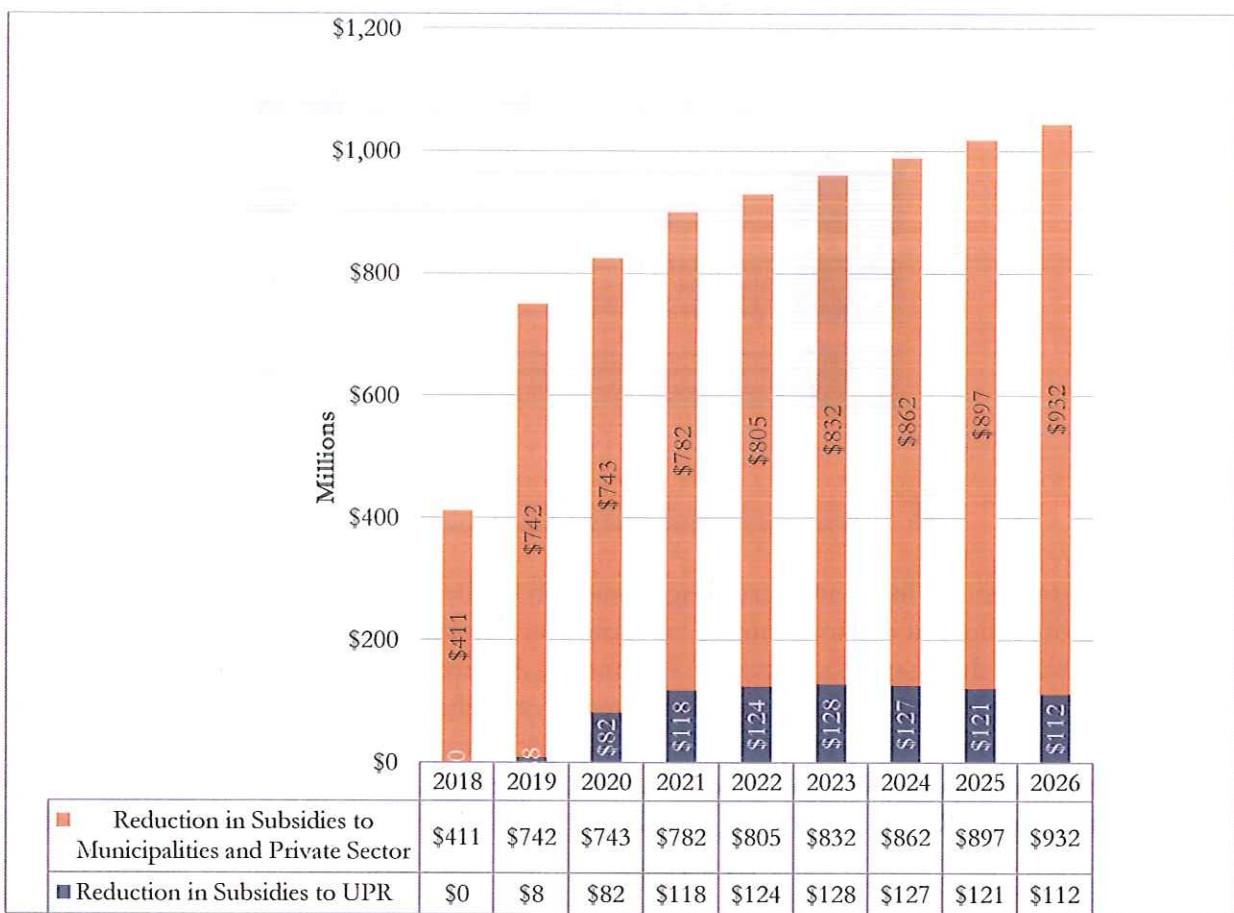


Figure 7: Reduction in Subsidies

²² To be fair, if the UPR's frozen budget was applied, far from the institution having to participate in the reduction to public "subsidies," it should receive an additional \$37 million.

Figure 8 shows the proportion of subsidy cuts to be imposed to municipalities and private entities, when compared to the total amount of subsidies received: \$350 million to municipalities and \$1,670 million to the private sector (according to data from 2012, *Informe Espacios Abiertos* 2017).

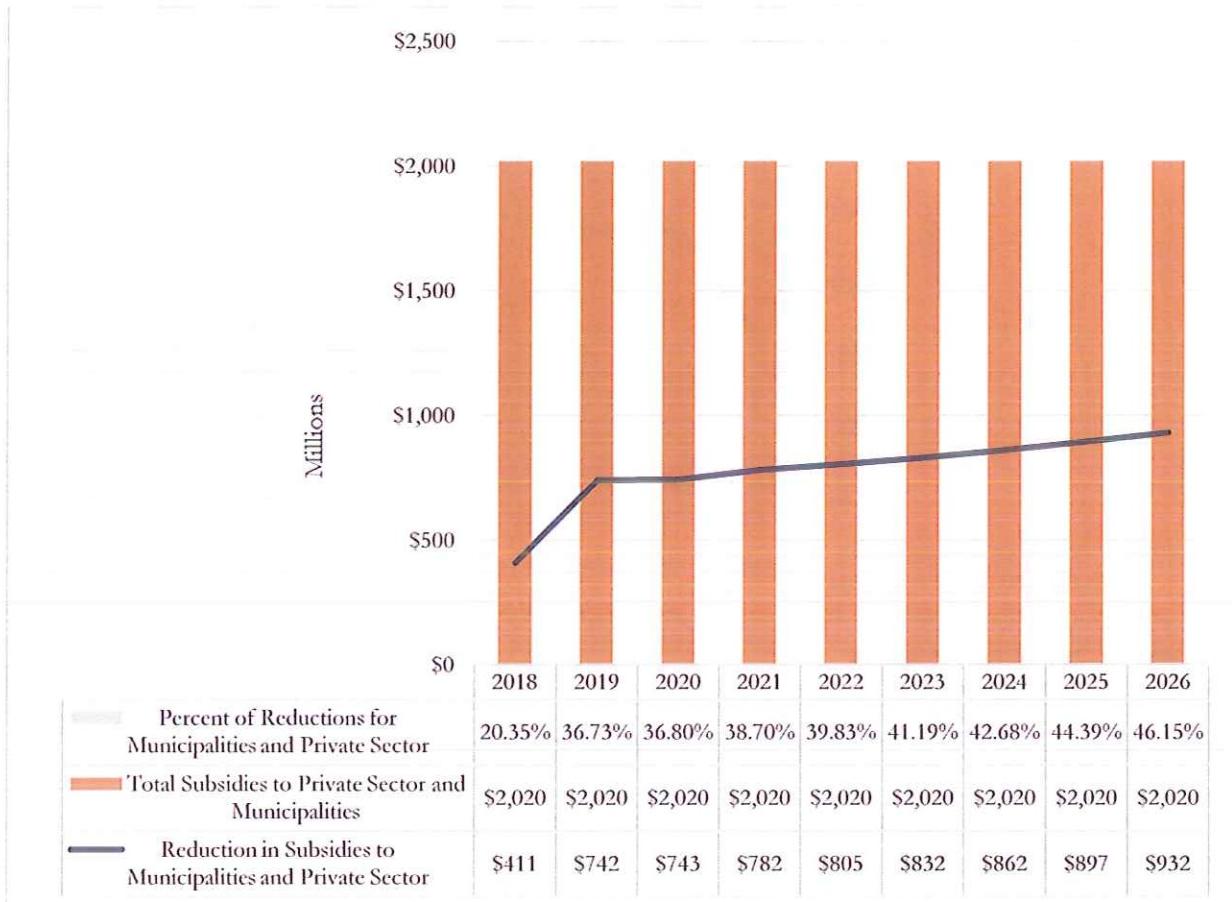


Figure 8: Subsidies Outlook for Municipalities and Private Sector

Finally, Figure 9 shows the scenario where the private sector assumes the remaining cuts, ranging from \$411 million (25%) in 2018 to \$932 million (56%) in 2026.

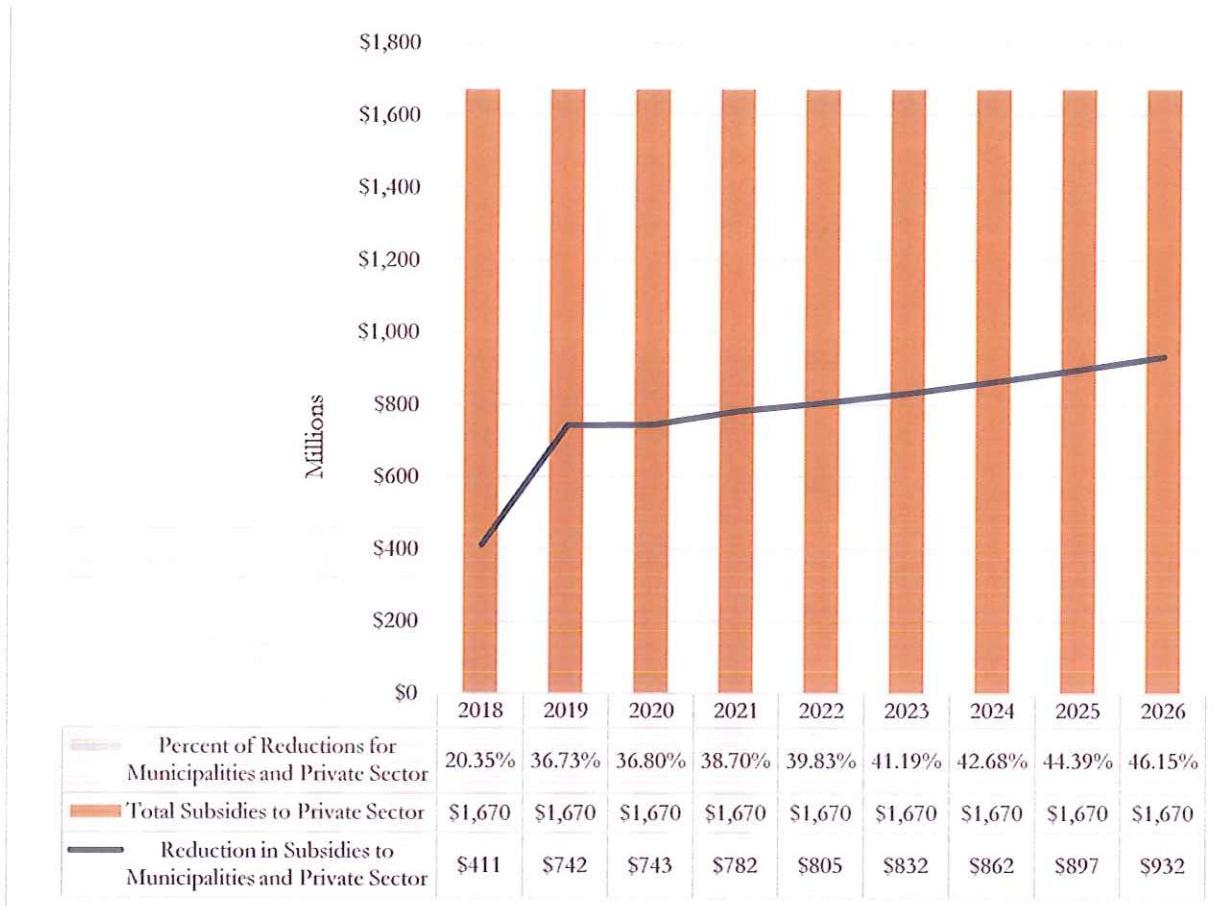


Figure 9: Subsidies Outlook for Private Sector Excluding Municipalities

B. Scenario II: Compliance with Act No. 2 of 1966 as Amended (9.6%)

Marcel Castro Sitiriche

One of the basic premises of the UPR's autonomy is economic solvency, regardless of the political party in power at any time. This principle was enshrined in Act No. 2 of 1966 as amended, as one of the pillars of our commitment to the country.

However, for decades, various government administrations have developed mechanisms to prevent the UPR from growing and becoming stronger, in tandem with Puerto Rico's needs. The most recent strategy –in the light of the crisis faced by the Treasury– was the approval of Law 66 of 2014, which froze the contribution from the country's General Fund at \$833.9 million. With a single stroke, since then, the University of Puerto Rico has stopped receiving \$300 million of the governmental contribution. Precisely because of the institution's commitment to the Puerto Rican people, the UPR has made significant adjustments (as previously noted) to continue fulfilling its mission.

Finally, the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board, consolidates in the General Fund of Puerto Rico income that had been diverted elsewhere by previous legislation. In justice, and recognizing the UPR's vital importance to overcome the fiscal crisis, the 9.6% formula should be restored and applied in accordance with the aforementioned Fiscal Plan. In lieu of the restoration of the formula, which is the fairest scenario, the budget freezing

that Law 66 of 2014 established should be maintained. Only in the worst-case scenario, should the partial formula attached to the estimates of the Puerto Rican government be reiterated for the next ten years, according to the same Fiscal Plan. In this latest variation, again, the UPR would face the largest reduction in government investment in 2023, with \$129 million less than in the 2016-2017 budget (\$833.9 million) (see Figure 10).

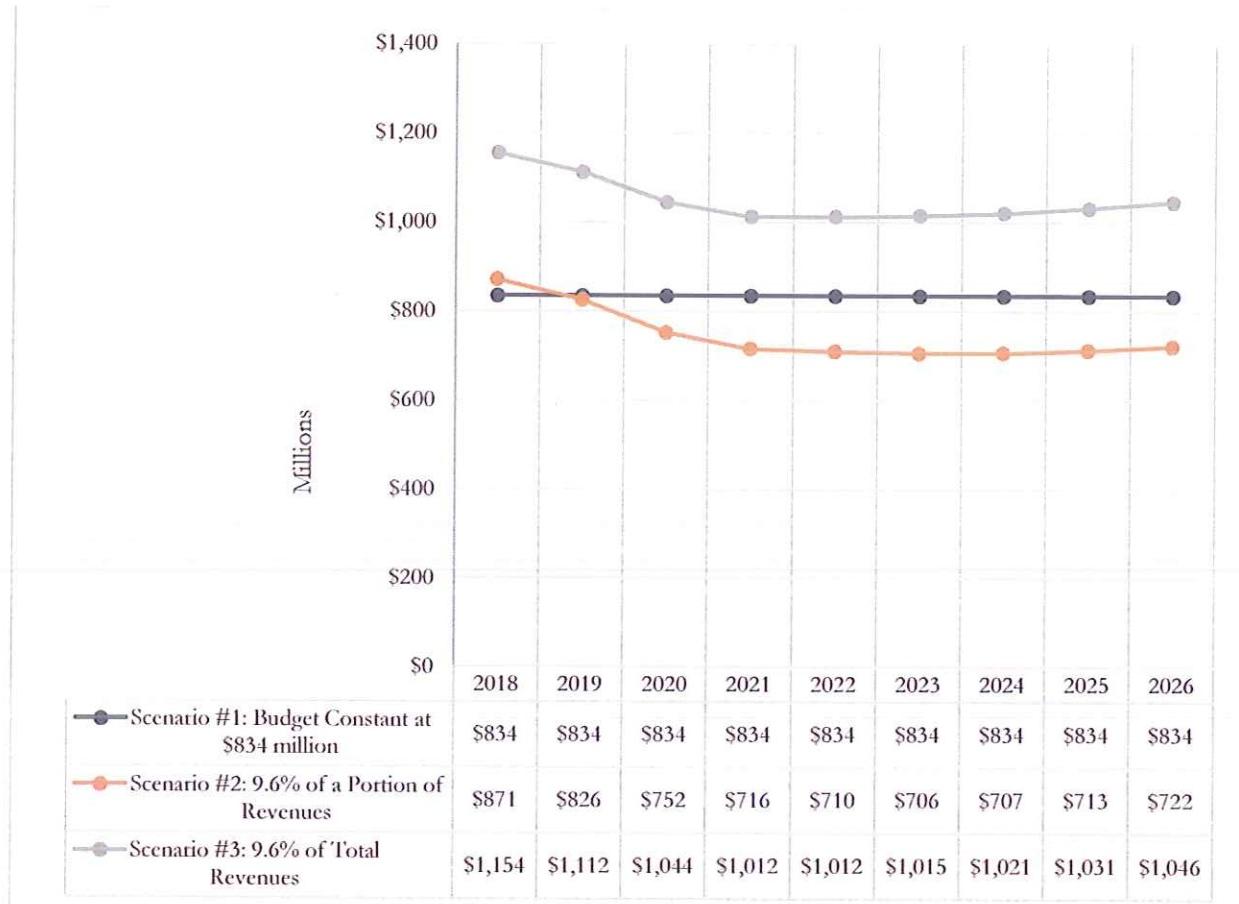


Figure 10: Projections for Three Fiscal Scenarios

Even if the 9.6% formula were reestablished with the General Fund's partial collections, the UPR would receive a larger contribution than the frozen one of \$37 million for the 2017-2018 budget, although it would certainly experience a progressive reduction. In this variation of scenario II, we would have to wait until 2024 to begin experiencing a slight recovery. In any of these three cases, the UPR would be better positioned to face the challenges of the current situation and contribute decisively to Puerto Rico's recovery.



Figure 11: Real Budget Reductions to UPR Based on 9.6% of Government Revenues

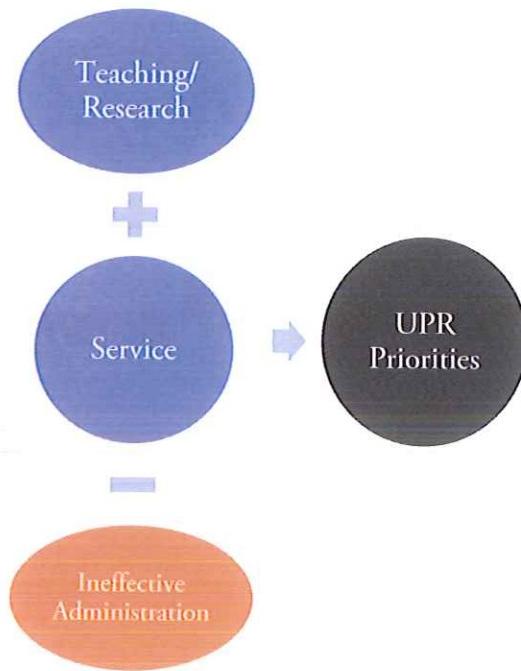
Figure 11 shows the magnitude of cuts to the UPR budget applying the 9.6% of the government's income. If the cuts are applied to the UPR's frozen budget, the latter would fluctuate between \$178 million in 2021 and \$320 million in 2018. In total, the UPR would be deprived from receiving \$1,942 million in the period from 2018 to 2026. In turn, if we apply the partial 9.6% formula, budget cuts would fluctuate between \$283 million in 2018 and \$324 million in 2026. In total, the UPR would be forced to relinquish receiving \$2,726 million. Finally, if cuts are applied to the frozen budget, the latter would oscillate between \$327 million in 2021 and \$469 million in 2018. In this case, the UPR would be forced to forego \$3,283 million. These projections show that, even in the best of these three scenarios, a resource cut of almost two billion in total would be applied to the UPR between 2018 and 2026.

C. Scenario III: Outline of the Public Contribution Reduction to the UPR

Similarly, Puerto Rico's budget, to date, imposes a reduction of \$149 million to the UPR for 2017-2018. This figure, like all others, has no justification or supporting argument whatsoever. It may seem random, but it is not: it is the blind and uninformed application of the *Government Right Sizing* paradigm, solidly challenged by the *SoS UPR Plan*.

Even insisting on the arbitrariness of the reduction figure for the UPR, and despite the strong arguments presented against it in this document, the *SoS UPR Plan* argues that, if inevitable,

this cut must be reassessed from the perspective of the *Government Social Right Sizing* paradigm. That is, it must respond to the following framework:²³



Another way of managing the arbitrary governmental contribution reduction to the UPR is to deduct from it the *de facto* contribution reduction when applying the formula from Act No. 2 of 1966 as amended, or even in its present, partial, form, in accordance with the certified Fiscal Plan. As was already mentioned, that Fiscal Plan consolidates in the General Fund of Puerto Rico income that had been diverted elsewhere by previous legislation. Figure 12 shows the impact in each case:

²³ Visit the link provided at the end of this Plan to consult the Draft of the UPR 2017-2018 Budget. The draft contemplates 5 and 10 year projections with these premises in mind, which implies that, although we would all contribute towards meeting the imposed reduction, the primary contributor would be the ineffective administrative sphere.

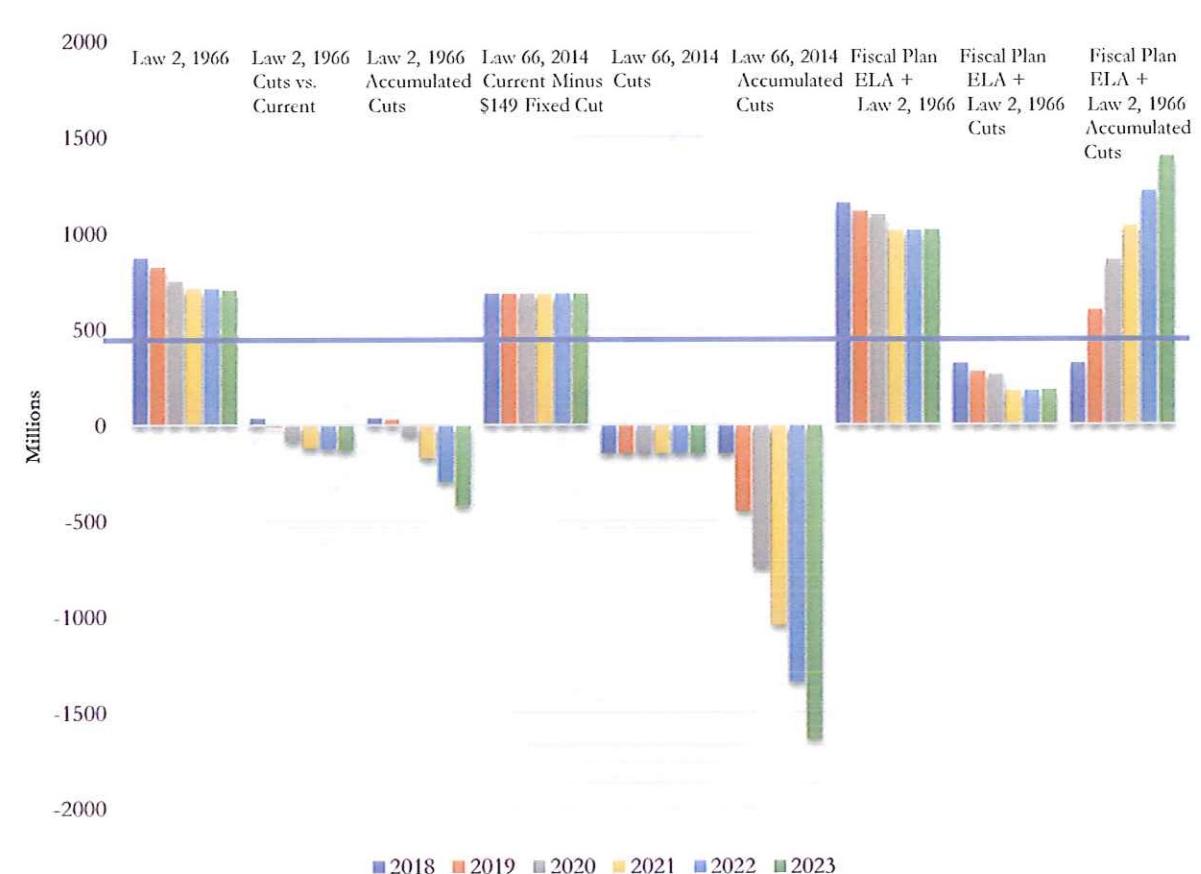
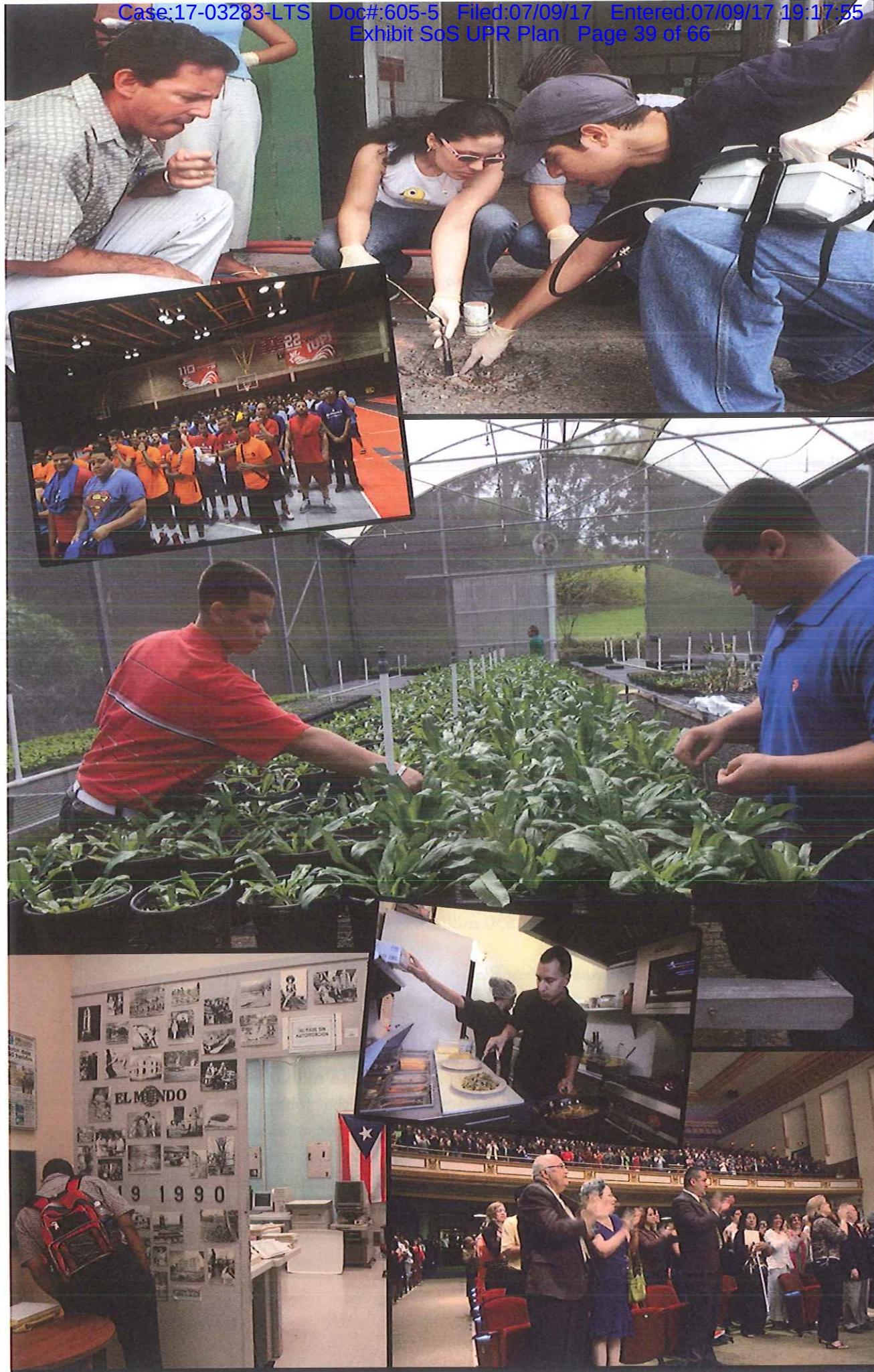


Figure 12: Three Scenarios vs. Current (Law 66, 2014)

If we recognize the versatile, productive and forceful social role the UPR plays in and for the country, each Puerto Rican would defend the sustained strengthening of the institution proposed in the *SoS UPR Plan*. For Puerto Rico to overcome the present fiscal crisis—which was caused by irresponsible and highly questionable indebtedness of government leadership for decades—and to grow and diversify in every socio-cultural area, a robust public university that continues to confront urgent social problems (in particular, public health and the accelerated impoverishment of our retirees) is imperative. If we give serious and fair consideration to the *SoS UPR Plan*, we will commit to scenarios I and II. Otherwise, scenario III, in its most sensible form, would recognize the UPR's undisputed commitment to the country and, therefore, would ensure the production of new income through the implementation of the proposals put forward in this document. These measures, in turn, recognize that new income for the UPR cannot come at the expense of another blow to the lower- and middle-classes in Puerto Rico. Moreover, they are intended to strengthen, as well, the Retirement Trust Fund of the Government of Puerto Rico and the currently imperiled public health system.²⁴

²⁴ To offer recommendations on this section of the *SoS UPR Plan*, please visit: <https://goo.gl/forms/1IAunQzEnLAPwfl93>.

Additional Sources of Income for the UPR



III. ADDITIONAL SOURCES OF INCOME FOR THE UPR

A. Homely Contributions to Puerto Rico, Foreign Corporations in Solidarity with Puerto Rico, and Collecting for Puerto Rico: UPR Researchers Edwin Irizarry Mora

One of the central components of the *SoS UPR Plan*, regardless of the contemplated fiscal scenarios and of their possible combinations or variations, is the institution's drive to attract new sources of income capable of supporting its commitment to excellence in teaching, research and service to students and surrounding communities). Moreover, the Plan factors in the central role the UPR has played and can continue to play to contribute to the country's recovery from the current fiscal crisis. In what follows, we present three initial measures to attract new revenues for the University and other essential services. These can be complemented with other proposals that might be delineated and implemented as part of the continuous revision and improvement of this Plan.

1. *Homely Contributions to Puerto Rico*

From the real estate re-appraisal that the government plans to implement in the coming months, we request that 10% of the projected tax collection be directed to the UPR. Only when the re-appraisal project is presented, will we have a precise idea of the increase in the amount of tax collection. Given that this income funds, in part, the Center for Municipal Tax Collection (*Centro de Recaudación de Ingresos Municipales*, CRIM) of the Puerto Rican government, it will be necessary to convince the mayors of Puerto Rico's 78 municipalities about the economic social impact the UPR has in diverse areas of their municipal economies. An alternative scenario would be that, in those municipalities where there are UPR campuses (a total of 10, since there are two campuses in San Juan), the percentage of tax collections channeled to the UPR is higher (12.5%), while the other 68 municipalities contribute 10%.

Simultaneously, we must insist on the preservation of the tax exemption for working class, middle class, and pensioned families that have only one property (main and only residence), with a market value that does not exceed a certain limit, depending on the municipality of residence. Most probably, that limit approximates \$100,000 in rural municipalities and between \$125,000 and \$150,000 in urban ones. Thus, we can estimate, preliminarily, that the annual sum that would be redirected to the UPR would range between \$40 and \$50 million.

2. *Foreign Corporations in Solidarity with Puerto Rico*

From the tax collection income already received by the central government as stipulated by Law 154-Tax on Transactions between Foreign Corporations' Subsidiaries Operating in Puerto Rico (*Arbitrio sobre transacciones entre filiales de corporaciones foráneas con operaciones en Puerto Rico*), the average collected during the past five fiscal years (2012-2016) is \$1,843.14 million per year. This total has been received at 4% tax rate, which means that, from each 1% that foreign corporations pay, they have contributed, in average, \$460.8 million per year. We propose an amendment to Law 154 so that it increases the cited tax rate by 0.5%. In this scenario, the tax rate to foreign corporations will increase from 4% to 4.5% annually; the added 0.5% will be directed to the UPR. This proposed measure would render a budget boost for the UPR estimated at more than \$230 million per year (see Table 12), starting in fiscal year 2018 (July 1st, 2017). This figure exceeds by

almost \$80 million the proposed cut of \$149 million to the UPR's budget that would become effective on the same date, according to the Commonwealth's Fiscal Plan, certified by the JSF.

In light of the reasons outlined above, it would be legitimate to canalize the proposed 0.5% increase in taxes to foreign corporations to the UPR. However, an alternative scenario would be that with 65% of the 0.5% (equivalent to a third of 1%, or to 0.33% of the annual \$460.8 million), the UPR would obtain \$152 million annually, which is sufficient to avoid any budgetary cuts or, in other words, to substitute the \$149 million that the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board, plans to withdraw during the next fiscal year. We propose, also, that the remaining tax collection be re-directed to: (1) strengthening the public employees' Retirement Fund Trust, and (2) mitigating the impact of the fiscal crisis and the intended cuts to the public health system. For the 2019 fiscal year, we would increase the percentage to 70% of the 0.5%, which would result in the UPR receiving \$161 million. This amount is less than what the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board, suggests reducing to the UPR during that year (\$180 million). In that case, we can adjust the calculation to a greater percentage, say 75%, and the following year, to 80% of the 0.5%. This would guarantee that the UPR does not forego additional funding in the upcoming years, taking as our base the current budget. Table 12 shows the pertinent calculations for each fiscal year, considering each one of the scenarios outlined above:

	Fiscal Year					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
4.5% Rate	230	230	230	230	230	(presupposes 50% of the increased 0.5%)
4.33% Rate	152	152	152	152	152	(presupposes 66% of \$230.4 million)
4.35% Rate from FY 2019	152	161	161	161	161	(presupposes 70% of \$230.4 million)
4.375% Rate from FY 2020	152	161	173	173	173	(presupposes 75% of \$230.4 million)
4.4% Rate from FY 2021	152	161	173	184	184	(presupposes 80% of \$230.4 million)

Table 12: Calculations of the Impact of an Increase of 0.5% to the 4% Tax of Law 154 on the UPR Budget: Fiscal Years 2018 - 2022 (amounts in millions \$, according to current prices, 2017)

The results shown in Table 12 suggest that the UPR might receive, at least, \$760 additional million, and, at most, \$1,150 million, during the period that starts on July 1st, 2017 and ends on June 30, 2022. The total income for the UPR depends on the increase that is approved as part of the amendment to Law 154, which would fluctuate between a minimum of 0.33% and a maximum of 0.5%, as previously explained. Table 13 shows the projected total incomes for fiscal years 2018-2022 under the various scenarios described above:

Total Income FY 2018-FY 2022	
Total, if 4.5% is applied	\$1,150.00
Total, if 4.33% is applied	\$760.00
Total, if 4.35% is applied	\$796.00
Total, if 4.375% is applied	\$832.00
Total, if 4.4% is applied	\$854.00

Table 13: Calculations of total income for the UPR during the period between fiscal years 2018-2022

Two important points stand out concerning this proposal. First, that the current Puerto Rican Legislature seems open to an increase in the tax percentage of Law 154. Second, that in the United States the idea of continuing to collect this tax in Puerto Rico was accepted, and that an increase like the one suggested here (an initial increment from the current 4.0% to 4.33%, until a maximum of 4.5%) would not result absurd to anyone. We should not forget that foreign corporations reclaim a credit for this tax they pay in Puerto Rico when filing federal income tax, so there will be no additional penalty over their net gains.

3. *Collecting for Puerto Rico: UPR Researchers*

Within the proposed framework of the UPR offering professional services, I suggest a program of researchers/collectors in collaboration with the Department of Finance (*Departamento de Hacienda*). There are precedents to this proposal. Under the leadership of Juan Agosto Alicea, who was Secretary of Finance about thirty years ago, hundreds of agency employees were sent to the streets, house by house and business by business, to collect registered debt with the Department. The result was extraordinary: tax collections increased substantially. Later, at the beginning of 2005, governor Acevedo Vilá constituted a committee to analyze the imposition of a consumption tax in Puerto Rico. I was a member of that committee, from which the Sales and Use Tax (*Impuesto a las Ventas y Uso – IVU*) eventually emerged. During the research process, Juan Carlos Méndez, who was then the Secretary of Finance, proposed the approval of 200 “investigator” positions that the agency would send to the streets to collect debt and prosecute tax defaulters and evaders. Acevedo Vilá did not approve the proposal at that time, but it has been reiterated by subsequent Secretaries of Finance.

In the current context, we can own up to and develop this idea. A team of investigators and collectors could be constituted to cover the 78 municipalities with the tutelage of the Department of Finance. We could employ students majoring in business administration and other related areas at UPR campuses, who could work part-time as collectors/researchers, under the supervision of professors from all campuses (as time release for regular faculty and as full-time contracts for adjunct faculty) and of Department of Finance personnel. Salaries to students would be negotiated; all of them would receive training from Department of Finance personnel; and one of Puerto Rico’s historical objectives –to collect from tax evaders and defaulters– would be met.

In 2005, the talk was about a potential of close to \$700 million annually in additional collection, an amount we might consider conservative twelve years later, but that could be updated based on recent tax evasion and tax debt data from the Department of Finance. Of course, given that the UPR is the entity that would provide the human resources for this important project, the institution would receive a percentage of what is collected. We propose the UPR receives 10% of the approximately \$700 million per year that could be collected if the proposed project is implemented.

This conservative estimate could render an estimated \$70 million annually of new income for the UPR. The remaining 90% should be destined to strengthening the Puerto Rican public employees' Retirement Trust Fund and the public health system.

Summary of the Estimated Collection from the Previous Three Proposals

Table 14 summarizes, for the next five fiscal years (2018 – 2022), three scenarios for the previous three proposals of new sources of income for the UPR. If the three proposals were implemented, the UPR would increase its budget by, at least, by \$262 million per year, presupposing the most conservative scenario. We do not suppose there will be economic recovery over the next five years, and, thus, for each of the three scenarios, the Puerto Rican government's collections reflect those documented for 2016.

In the second scenario, we presuppose that the tax rate of Law 154 increases to 4.375%, which results in an income increase for the UPR in fiscal year 2019 and the subsequent three fiscal years. The budget would increase \$262 million for 2018, \$271 million for 2019, and \$283 million for years 2020, 2021 and 2022.

The third scenario is the most optimistic. It reflects an income of \$50 million annually from the increase in property tax; an increase to 4.5% in the tax rate from Law 154; and that, like the two previous scenarios, the collection of 10% of tax debt and tax evaders and defaulters, which is equivalent to an increase of \$70 million for the UPR budget. In this scenario, the UPR would have an additional income of \$350 million for each year during the period between fiscal year 2018 and fiscal year 2022.

Conservative Scenario	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Increase in Property Tax	\$40	\$40	\$40	\$40	\$40
4.33% Rate: Law 154 (tax on foreign corps.)	152	152	152	152	152
10% from Tax Debt Collection	70	70	70	70	70
Annual Increase in UPR Budget	\$262	\$262	\$262	\$262	\$262

Less Conservative Scenario	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Increase in Property Tax	\$40	\$40	\$40	\$40	\$40
4.375% Rate: Law 154 (tax on foreign corps.)	152	161	173	173	173
10% from Tax Debt Collection	70	70	70	70	70
Annual Increase in UPR Budget	\$262	\$271	\$283	\$283	\$283

Optimistic Scenario	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Increase in Property Tax	\$50	\$50	\$50	\$50	\$50
4.5% Rate: Law 154 (tax on foreign corps.)	230	230	230	230	230
10% from Tax Debt Collection	70	70	70	70	70
Annual Increase in UPR Budget	\$350	\$350	\$350	\$350	\$350

Table 14: Summary of Three Proposals: Three Scenarios (amounts in millions \$, according to current prices, 2017)

Contribution to the Public Employees Retirement Trust Fund and the Public Health System (*Reforma de Salud Patients*)

If we add the following suppositions to the less conservative scenario simulated in Table 14 (second scenario), the additional income the central government would receive from the implementation of the proposals suggested here would be distributed as follows (Table 15):

Less Conservative Scenario	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Increase in Property Tax	\$40	\$40	\$40	\$40	\$40
4.375% Rate: Law 154 (tax on foreign corps.)	152	161	173	173	173
10% from Tax Debt Collection	70	70	70	70	70
Annual Increase in Government's Income	\$262	\$271	\$283	\$283	\$283

Additional Contributions to Public Employees' Retirement Trust Fund and Public Health System	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
\$150 million annually allocated to the UPR	\$112	\$121	\$133	\$133	\$133
The remaining 90% from Tax Debt Collection	\$630	\$630	\$630	\$630	\$630
Total contributions to Retirement Trust Fund and Public Health System	\$742	\$751	\$763	\$763	\$763

Table 15: Contribution to the Public Employees Retirement Trust Fund and the Public Health System in the Less Conservative Scenario

From the annual increase in government income, which fluctuates between \$262 million for fiscal year 2018, and \$283 million for years 2020 to 2022, we suppose \$150 million are annually allocated to the UPR's budget, which would imply assigning \$112 million in 2018 and greater amounts in subsequent years to the public employees' Retirement Trust Fund and to the Public Health System financing –specifically to *Reforma de Salud* patients. If we also allocate the remaining 90% of income obtained by tax debt and evasion collection, an amount that has been calculated at \$630 million per year (\$700 million less \$70 million for the UPR budget), the retirement and public health systems would receive \$742 million in 2018 and up to \$763 million during the years 2020 to 2022.

In summary, the proposed measures would help the Puerto Rican government to obtain additional funds not only to maintain and ensure a sustainable budget for the UPR, but also to strengthen fundamental needs of the population: the retirement and public health systems.

B. UPR's Alumni Contribution

Marcel Castro Sitiriche

In order to pursue additional sources of income for the University of Puerto Rico, the *SoS UPR Plan* proposes the creation of the UPR's Alumni Contribution initiative as a new source of income that constitutes an alternative to the "Means Based Tuition Model" proposed by previous fiscal plans. The alumni contribution would strengthen our teaching, research, and services to students and the country. In response to PROMESA, this initiative should be accompanied by a

concerted effort of sustainable economic development,²⁵ which would, in turn, bolster the country's economy and provide opportunities to retain the human capital the country has invested in.

Following the principle that Puerto Rico should be injected with innovative economic activity from all sectors, but especially from the UPR, the alumni contribution proposal seeks to return to the country and its public university a portion of Puerto Rico's investment in each student who graduates, either in the form of work (equivalent to years of study) in Puerto Rico or in monetary form, if the person migrates.²⁶ Figure 13 contains a comparison between the income obtained through the means based tuition model and that received through the alumni contribution, following a similar scheme to the one recently implemented by the state of New York (SUNY and CUNY systems) and Community Colleges in Tennessee and Oregon.

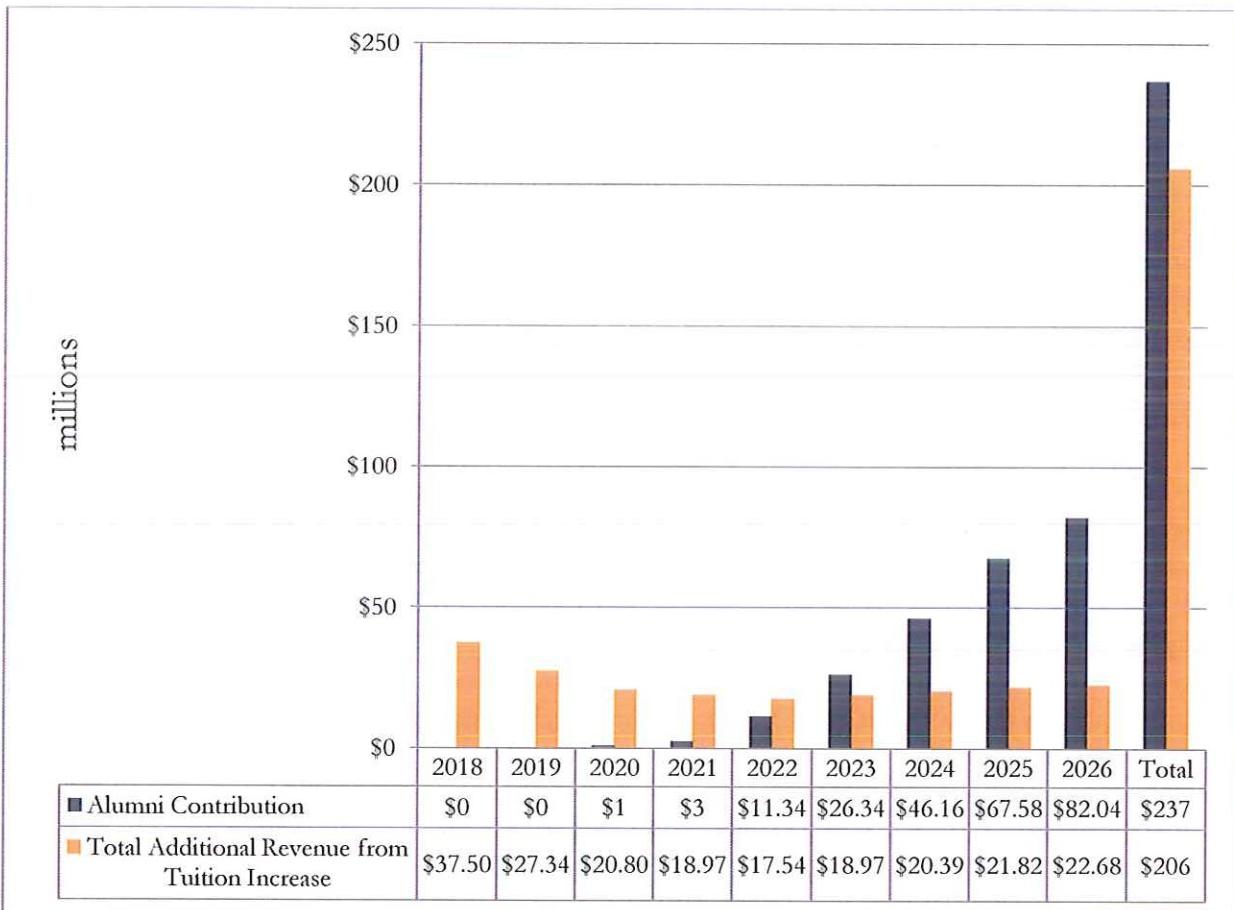


Figure 13: Alumni Contribution vs. Means Based Tuition Model

This projection takes as its starting point some of the institutional data concerning the number of students in four-year, five-year, masters and Medical Sciences programs, as well as graduation rates, exit interviews, and estimated percentages of migration in each case. The projection also maintains a consistent level of public investment (approximately 50%) in all UPR students. It

²⁵ Regional economic development model that starts from the UPR's 11 campuses and is articulated through a multisectorial initiative. Designed by Dr. Pedro Resto, from the UPR-Mayagüez campus.

²⁶ Of course, it will be necessary to establish distinctions and safeguards to make sure this measure is fairly applied.

makes estimates by type of program, while also considering the tiered level of graduation rates. Evidently, this estimated data must be adjusted in accordance with precise systemic data. Moreover, if our alumni numbers increase (as they should), year upon year, this measure has the potential of increasing UPR's income even more after 2026.²⁷

Although it requires five years to exhibit its real potential, the proposed Alumni Contribution project (if made effective in 2018), would surpass significantly, as early as 2023, the funds attracted by the means based tuition model. Moreover, this initiative's net benefit would preserve, in addition, the public contribution to everyone's education, regardless of where they eventually work professionally, and would stimulate the return of such investment with years of service in and for Puerto Rico. Finally, this project would complement the UPR's efficiency strategies included in this Plan, insofar as it would encourage students to complete their degrees in a timely manner.

The four proposals described in this section of the *SoS UPR Plan* would allow the UPR and the country to confront the current fiscal crisis with the objective of becoming a more just university and society, by preserving and strengthening essential social services, in accordance with the concept of *Government Social Right Sizing*. In tandem with the rest of this Plan, the measures described above would strengthen the UPR's main educational mission and its multiplier effect on Puerto Rico's economy, as well as provide fair conditions for our retired public employees and for the population's health. The decision to support the UPR and, consequently, to bolster the sustainable recovery of Puerto Rico, is now in the hands of the Puerto Rican legislature and the executive branch.

C. Proposals for Additional Income Contemplated in Other Fiscal Plans

The Sustainable Fiscal Plan for the UPR (*SoS UPR Plan*) recognizes that, from existing governing bodies to the most diverse self-convened initiatives, alternatives and proposals have been developed to address the crisis that cuts across Puerto Rico and, therefore, its public university. Each entity has engaged in a rigorous process of introspection and formulated measures for strengthening teaching, research, and service to the UPR in the present context. At the same time, other drafts of fiscal plans have presented alternatives that may very well be articulated in conjunction with the *SoS UPR Plan*. Below, we include those that are compatible, in part or in their entirety, with this Plan:²⁸

1. *Draft of the UPR Fiscal Plan* (February 20, 2017)²⁹

- a. Online Course Offerings: have potential impact on a steadily increasing foreign student population that recognizes both the excellent reputation of the UPR as well as its credentials.

²⁷ As we have previously stated in this Plan, the UPR has the highest graduation rates, equivalent and proportional, in each unit and program comparable to private institutions. However, as part of its continuous improvement, the UPR seeks to increase its rates.

²⁸ In this inventory of initiatives, only a fraction of the proposals compatible with the *SoS UPR Plan*, in whole or in part, are included. We recommend the integration of proposals from the eleven campuses of the UPR system –deriving from all sectors– that can be harmonized with the vision and premises of this Plan. In this section, we cite directly the fiscal plans to which we have had access.

²⁹ <https://www.scribd.com/document/349395813/Plan-Fiscal-UPR-Borrador-20-de-febrero-de-2017>.

- b. Professional Development and Workshop Program for Training Public Employees: the current government administration has presented legislative bill 8 of 2017, in which it has designated the UPR as the recipient of 15% of the total contracts for the professional development of government personnel, public corporations, and instrumentalities. According to OGP data, government contracts represent a total of over **\$400 million**. On that basis, potential earnings have been calculated.
 - c. Continuing Education Programs: Legislative bill 429 of the House of Representatives requires all its dependencies to separate 15% of their budgets for continuing education program contracts with the UPR. According to OGP, it is estimated the government spends **\$96 million** to this end. Based on this allocation, a projection of earnings can be established.
 - d. Evening Academic Program Offerings: Presently, the UPR's Bayamón campus has a robust program of evening courses. This program can similarly be replicated in Río Piedras, Humacao and Arecibo.
2. *UPR Fiscal Plan 2017 (Revised Draft – April 27, 2017)*³⁰
- a. UPR Foundation
 - b. External funding by other federal agencies and private foundations
 - c. Medical Cannabis Project
 - d. License Plates
 - e. Vehicle Registration Sticker (*marbetes*)
 - f. UPR Financial Support Law (*Ley de Apoyo Financiero UPR*)
 - g. Course Repetition Policy (*penalidad por repetir cursos*)
3. *Alternative Fiscal Plan for the UPR*³¹
- a. Establish the UPR and the Molecular Sciences Corporation Building as the entities charged with managing quality control of medicinal marijuana and related research in Puerto Rico. Establish a 11.5% tax for the UPR (estimated earnings: **\$80 million**).
 - b. Offer priority to the UPR for tutoring, mentoring, coaching, and professional development services contracted by the Department of Education (see House of Representatives Legislative Bill 676. If 50% of the funds are secured and a 10% profit obtained, the estimated earnings are **\$10 million**).
 - c. Offer priority to the UPR in the contracting of all professional development services for public employees of the Government of Puerto Rico (See Public Law 8 de 2017. If 50% of the funds are secured and a 10% profit obtained, the estimated earnings are **\$20 million**).
 - d. Offer priority to the UPR in the contracting of consulting, publicity, representation (or artistic) and technical services (see Legislative Bill 635 of the House of Representatives. If 50% of the funds are secured and a 10% profit obtained, the estimated earnings are **\$30 million**).

³⁰ <https://www.scribd.com/document/349396111/UPR-Fiscal-Plan-2017-v20-04-27-17-3-PM-pdf>.

³¹ <https://www.scribd.com/document/349396258/Plan-Fiscal-Alterno-en-la-UPR>. This document is the result of Aníbal Y. López Correa and Christian Arvelo's collaborative effort.

D. Proposals for Additional Income Developed by Other Sectors

A practice that could potentially be successful across all units of the UPR system is for each faculty or academic unit to develop initiatives based on their distinctive areas of strength to allocate new resources for the UPR. In the Mayagüez campus (RUM), this effort was taken up by some of its units. In the links provided below, measures to generate new earnings as well as strategies to ensure efficiency are highlighted:

1. Faculty of Agricultural Science: <http://www.uprm.edu/cms/index.php?a=file&fid=15146>
2. Faculty of Arts and Sciences: <http://www.uprm.edu/cms/index.php?a=file&fid=15150>
3. Faculty of Business Administration: <http://www.uprm.edu/cms/index.php?a=file&fid=15149>

Similarly, chancellors, academic senates, general student councils, self-convened faculty collectives, and diverse sectors of the student movement have undertaken related efforts.³² Likewise, the *SoS UPR Plan* should be revisited based on the results of the comprehensive transformation project of the University of Puerto Rico (*Proyecto de Reforma Universitaria*), which is already being forged by the university community.³³

On the other hand, the Río Piedras campus student movement has proposed diverse initiatives that have been rendered into five bills currently under legislative consideration:

1. Legislative Bill 1016 of the House of Representatives: **Tax on Luxury Property and Unused Property**³⁴
2. Legislative Bill 1039 of the House of Representatives: **Special Law to Fortify the Intramural Practice Plan** of the University of Puerto Rico and Ensure the Quality in the Contracting of Services for the Commonwealth of Puerto Rico [Legislative Bill 50 of the Senate]
3. Legislative Bill 1040 of the House of Representatives: **Law of the Registry for Positions of Confidence** [Legislative Bill 503 of the Senate]
4. Legislative Bill 1042 of the House of Representatives: **Law to Repeal Law 20-2012** (Law to Promote Relocation of Investors to Puerto Rico) [Legislative Bill 502 of the Senate]
5. Legislative Bill 1046 of the House of Representatives: **Law to Increase the Commitment of the University of Puerto Rico with the Public Education of Puerto Rico (LACUPREP)** [Legislative Bill 504 of the Senate].

Lastly, and in light of some of the proposals included in this section, it is pertinent to note that the Governor of Puerto Rico, Hon. Ricardo Roselló Nevares, signed Executive Order 2017-012, which enables the UPR and other governmental entities to identify areas of possible collaboration for the university to offer **training workshops, seminars, and other professional services**. This initiative's progress report up to May 19th can be found [here](#). This effort could yield important sources of

³² In the following link, a sampling of ideas and proposals articulated by constituents of UPR-Cayey can be found: <https://www.scribd.com/document/349410157/Propuestas-UPR-Cayey>. Some proposals from the UPR-Humacao campus can be accessed at: <https://www.scribd.com/document/349548044/Propuestas-UPR-Humacao>.

³³ We recommend, at the same time, integrating into the *SoS UPR Plan* compatible proposals for allocating new resources to the UPR that have already been articulated for the Senate of Puerto Rico's public hearings on education and university reform (Legislative Bill 55 of the Senate Representatives).

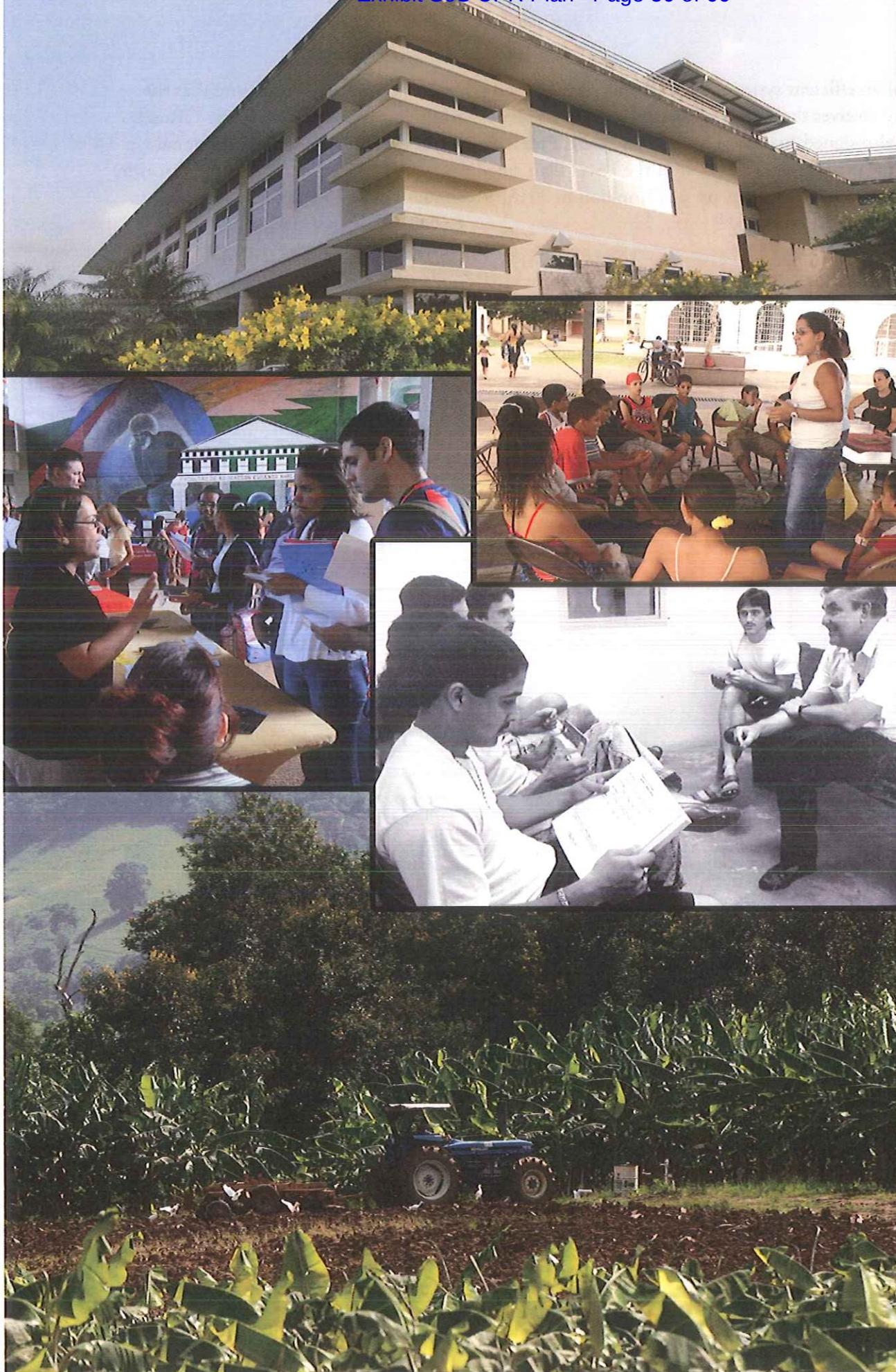
³⁴ This legislative bill fruitfully combines with the initiative for new income "Homely Contributions to Puerto Rico," included in the present Plan.

income if an efficient system of compliance, billing, and payment is established to ensure that the university receives the agreed upon payment for its services within a reasonable timeframe.³⁵ Roselló Nevares also signed Executive Order 2017-021, **Public Employee Training**, to secure additional funding for the UPR.³⁶ The Draft of the Fiscal Plan dated April 27, 2017 estimates that this measure could increase UPR earnings up to \$5 million in 2018, \$10 million in 2019 and 2020, and \$15 million from 2021 to 2026.³⁷

³⁵ See the model designed by Basilio Rivera Arroyo in section “Efficiency Strategies” in this Plan.

³⁶ <https://www.scribd.com/document/349398486/Rossello-Letter-to-Carrio-n-re-UPR-March-20-2017>. In addition, the legislature, to date, has worked on some initiatives: <http://cb.pr/senado-aprueba-marbete-commemorativo-para-recaudar-fondos-para-la-upr/> and <http://www.noticel.com/noticia/202901/senado-separa-312-mil-para-becas-a-estudiantes.html>.

³⁷ To offer recommendations on this section of the *SoS UPR Plan*, please visit: <https://goo.gl/forms/nLUF378pRszMolbG3>.



Efficiency Strategies for Strengthening the UPR

IV. EFFICIENCY STRATEGIES FOR STRENGTHENING THE UPR

The UPR is pressed to identify new sources of income to strengthen its primary mission and social services as it embarks on an ongoing process of self-critical analysis that increases and guarantees its continuous improvement. The *SoS UPR Plan* proposes a swift and periodic cycle of institutional analysis following these steps:

1. evaluate strengths and challenges;
2. identify and maximize strengths to determine a distinctive profile for each unit; and
3. pay close and sensible attention to transforming challenges into strengths, taking into account quantitative and qualitative criteria, as well as social impact in the surrounding geographic context.

On the other hand, the *SoS UPR Plan*, recognizes that it is imperative to:

1. strengthen academic, fiscal, and administrative autonomy in the University of Puerto Rico;
2. streamline processes by reducing bureaucratic transactions and minimizing Central Administration's range of action;
3. reduce partial and total student course withdrawals by developing and improving academic support programs and peer mentoring;
4. strengthen and maximize Intramural Practice, University Enterprises, Cooperatives, Experimental Stations, and Agricultural Extension Programs to bolster their functions in such a way that they attract new revenue for the UPR;
5. develop a ten-year plan to minimize energy expenses and facilitate a business opportunity;³⁸ and
6. develop an operational efficiency framework for significantly reducing accounts receivable and enabling the UPR to obtain new revenues by means of Executive Orders 2017-012 and 2017-21, and Memoranda of Understanding to offer services to other central and municipal governmental agencies, among others. The following operational model has been developed by the Division of Continuing Education (DECEP), Río Piedras campus, and could be adapted to meet the specific characteristics of each unit.

A. **Operational Framework of the DECEP-Río Piedras Campus (RPC) to Establish a Model of Efficient Support for Fiscal Recovery Projects at the RPC³⁹**
Basilio Rivera Arroyo, DECEP, UPR-Río Piedras

³⁸ This plan ought to commence with an energy audit and proceed with a tiered and combined system of investment, recovery, reinvestment, and net profit. The Mayagüez campus (RUM) has been developing initiatives to this end that should be considered and prioritized. See <https://www.scribd.com/document/349422167/UPRM-Lamps>.

³⁹ This framework could be applied to other UPR units according to their particularities.

Direct legal support from DECEP to expedite the authorization of service contracts with government, municipal and other agencies.

Timely internal processing (DECEP) of contracts and more efficient coordination with agencies, municipalities, and others.

It is recommended that legal services devoted to rapidly processing contracts between the RPC and the agencies, municipalities, and other parties interested in professional services the faculty might offer be assigned to DECEP. In addition, DECEP would address any legal matters, such as claims by agencies that receive services, or the faculty who provide these services.

Establish a DECEP-RPC-based Direct Support System* for faculty who procure or direct contracts in order to fulfill the following components:

1. Completion of services contracted.
2. Timely billing for services provided based on the specifications of each contract.
3. Payment: Collection management for each bill issued, coordinated with the director of the service and the agency that receives the service.

*This system was recommend by the OPEP-RPC in order to guarantee the success of the fiscal recovery plan. It requires trained personnel who focus on these components. The funding to provide for the subvention of personnel will derive from the surplus income of the selfsame projects. The initial cost could be covered by funding already identified by the OPEP.

Establish in the Chancellor's Office the policy of prioritizing efficient coordination between DECEP-RPC, fiscal offices, and the campus' Office of Human Resources in order to streamline payments to faculty who have provided services. This component is important for securing the stability of the fiscal recovery plan, as it would ensure an adequate flow of payments to the RPC human resources and the support professionals who provide services.

B. Efficiency Strategies to Strengthen the UPR Considered in Other Fiscal Plans

Other drafts of fiscal plans have suggested efficiency strategies that may very well dovetail with the *SoS UPR Plan*. Below we include those that are compatible, in whole or in part, with this Plan.⁴⁰

1. *Draft of the UPR Fiscal Plan* (February 20, 2017)⁴¹

Efficiency Measures

Adjustments for academic and administrative restructuring and consolidation:⁴² this section of the Plan considers four areas in which adjustments to the UPR budget would be worked on. An attachment is included that explains the way in which the adjusted sum is achieved:

- a. adjustments to substitutions for work not related to teaching and research
- b. restructuring subsidies for administrative functions
- c. adjustment to the Governing Board's Budget
- d. adjustment to the Central Administration Offices' Budget

Adjustments to Operational Expenses

This section contains ten components around which adjustments to operation expenses would revolve. The majority of these adjustments are explained in separate attachments. The adjustments considered are presented below:

- a. public service costs
- b. adjustment to budget for materials and leasing of equipment
- c. adjustment for travel expenses
- d. adjustment for property insurance and public accountability
- e. adjustment to professional service contracts
- f. adjustment to private security contracts
- g. adjustment to Aguadilla's IAAPR operational budget
- h. adjustment to Molecular Sciences Corporation operational budget
- i. adjustment to University Plaza budget
- j. reserve funds for contingencies

Adjustments to Paycheck Expenses

The adjustments proposed in relation to paycheck expenses include five areas of revision. These are:

⁴⁰ In this inventory of initiatives, only a fraction of the proposals compatible with the *SoS UPR Plan*, in whole or in part, are included. We recommend the integration of proposals from the eleven campuses of the UPR system –deriving from all sectors– that can be harmonized with the vision and premises of this Plan. In this section, we cite directly the fiscal plans to which we have had access.

⁴¹ Refer to <https://www.scribd.com/document/349395813/Plan-Fiscal-UPR-Borrador-20-de-febrero-de-2017>.

⁴² The *SoS UPR Plan* considers, in principle, adjustments to administrative domains. Only as a *last resort*, should adjustments to academic and research areas be contemplated.

- a. adjustments to vacant teaching and non-teaching positions, including the amount that corresponds to employer contributions⁴³
- b. adjustment to Christmas bonus, which would be brought into line with the amount established by law. This implies, for this item, an adjustment of 47%.
- c. adjustment to the special bonus and perquisite for maintenance of uniforms of non-teaching personnel
- d. adjustment to employer's contribution to the employees' medical plan
- e. adjustment to financial support for studies for both teaching and non-teaching personnel

2. *Alternative Fiscal Plan for the UPR*⁴⁴

- a. Promote the retirement of faculty who qualify. Ensure that newly vacant positions are announced as available. If faculty are not old enough to qualify for Medicare (65), pay their medical insurance until they can benefit from Medicare. If they are older than 65, offer them the opportunity to teach at least one class per semester at the additional compensation rate (\$2,000 for a 3 credit course). Savings estimated at \$19.3 million per year.
- b. Promote the retirement of non-teaching personnel who qualify. Ensure that newly vacant positions are announced as available. If they are not old enough to qualify for Medicare (65), pay their medical insurance until they can benefit from Medicare. Savings estimated at \$10 million per year.

For 2015

The 2015 Actuarial Valuation Report of the Retirement Trust Fund identifies personnel with more than 30 years of service (1,265). If 45% of these persons are faculty members, approximately 569 qualify for retirement. Savings of \$28,920 per position. *Subtotal: 569 x \$28,920 = \$16,455,480.*

For 2020

The 2015 Actuarial Valuation Report of the Retirement Trust Fund identifies personnel with more than 30 years of service by 2020 (1,481). If 45% of these persons are faculty members, approximately 667 qualify for retirement. Savings of \$28,920 per position.

Subtotal: 667 x \$28,920 = \$19,289,640.

This proposal is consistent with the standpoint that the UPR's Retirement Trust Fund has assumed in the past few years. According to Dr. Eduardo Berrios Torres, President of the UPR's Retirement Trust Fund, the freezing of vacant positions due to retirement imposed in 2010 resulted in 900 frozen positions 2009 to 2013. This resulted in salary savings of \$60 million, but also meant that \$13 million were not deposited into the Retirement Trust Fund. Moreover, from 2010 to 2017, 2,863 employees have retired (508 in 2010-2011; 420 in 2011-2012; 383 in 2012-2013; 432 in

⁴³ The adjustment considered in the *SoS UPR Plan* is 50% less than that proposed in the February 20, 2017 draft. According to the guidelines of the *SoS UPR Plan*, it is imperative to renew faculty resources with routine permanent positions, to strengthen the academic, research and service missions that have characterized the UPR, while invigorating, at the same time, the UPR's Retirement Trust Fund.

⁴⁴ Refer to <https://www.scribd.com/document/349396258/Plan-Fiscal-Alterno-en-la-UPR>. This document is the result of Anibal Y. Lopez Correa and Christian Arvelo's collaborative effort.

2013-2014; 394 in 2014-2015; 353 in 2015-2016; and 373 in 2016-april 2017), which means that an estimated \$29.4 million were not deposited into the Retirement Trust Fund.

Similarly, Berrios Torres suggests that, if, at the very least, probationary positions were opened to cover 50% of retired personnel, utilizing funds contemplated in the UPR Budget for Faculty and Administrative contracts –according to the February 20, 2017 Draft of the Plan, the allocation of contracts hovers around \$31.5 million–, their replacement with new employees would benefit the UPR, prolonging its continuity as an institution and reducing its actuarial accountability.⁴⁵ The new employees would contribute to the Retirement Trust Fund on the basis of 12%, which would guarantee their future pensions and contribute to the Fund's solvency. The actuarial cost per employee is 7.8%, which means that 5% of the employee's contribution would aid in strengthening the Retirement Trust Fund.

- c. Decrease personnel of confidence, given the high level of expenditure presently incurred by the UPR for that item, as shown below in Table 16.



**UNIVERSIDAD DE PUERTO RICO
ADMINISTRACIÓN CENTRAL
OFICINA DE RECURSOS HUMANOS**

**PERSONAL DE CONFIANZA
IMPACTO PRESUPUESTARIO AÑO FISCAL 2012 AL 2015**

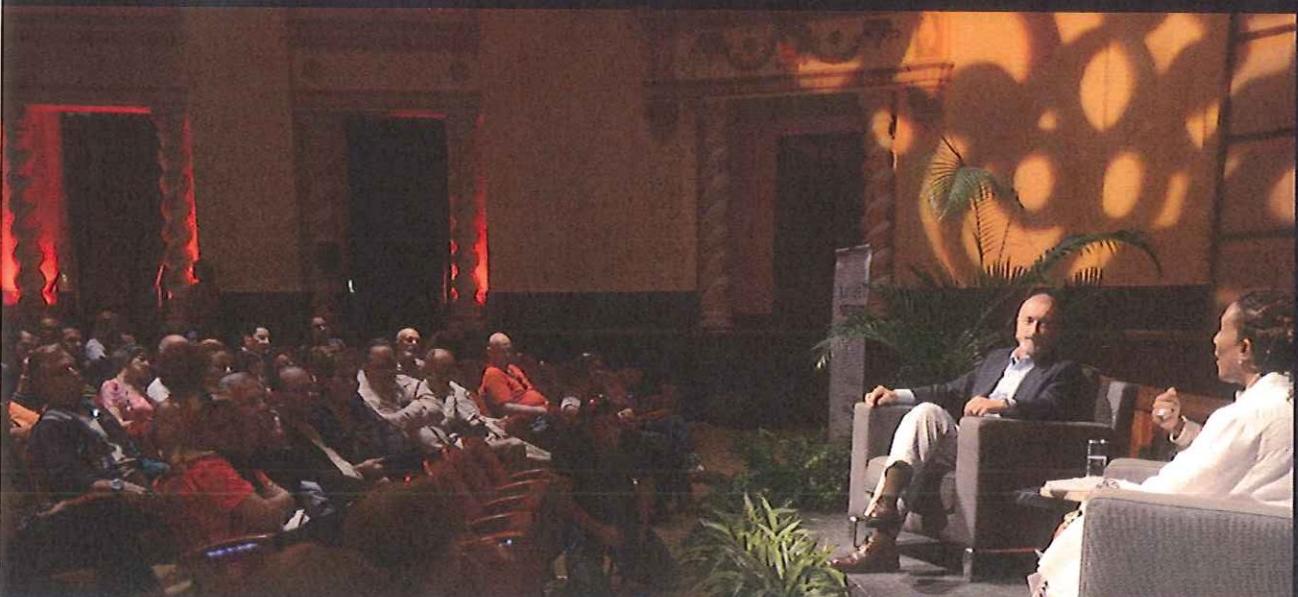
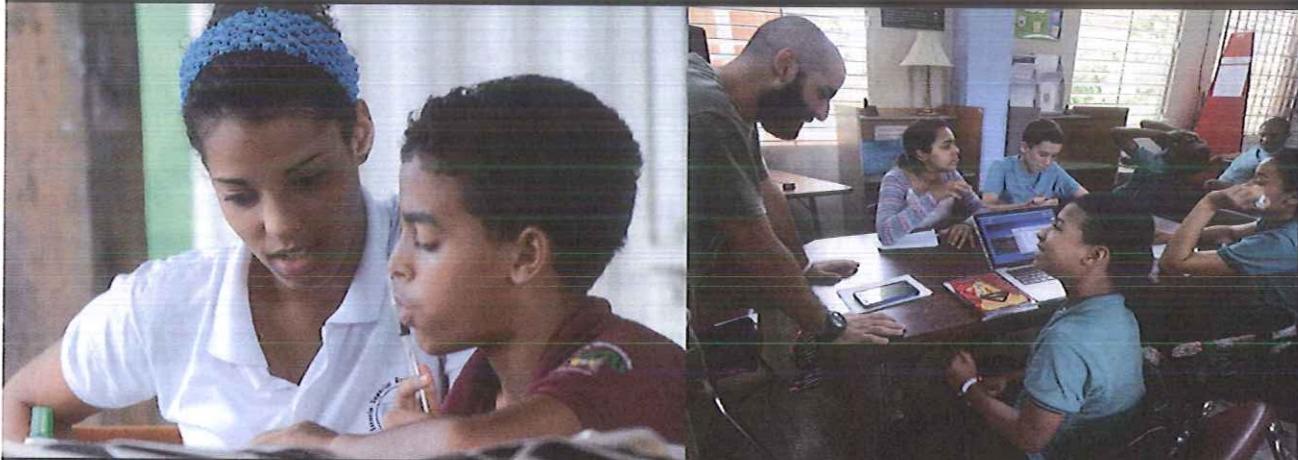
UNIDAD ACADÉMICA	2011-2012		2012-2013		2013-2014		2014-2015	
	POSICIONES	SALARIO TOTAL						
1 Administración Central	51	\$3,617,679	51	\$3,620,175	54	\$4,215,559	54	\$3,642,931
2 Junta de Gobierno	8	\$629,294	9	\$619,294	9	\$682,059	10	\$747,059
3 UPR Aguadilla	33	\$1,928,892	31	\$1,940,331	34	\$2,267,992	34	\$2,218,691
4 UPR Arecibo	29	\$1,807,002	33	\$1,933,213	42	\$2,633,831	42	\$2,607,957
5 UPR Bayamón	44	\$2,708,890	43	\$2,617,762	42	\$2,611,130	40	\$2,561,094
6 UPR Carolina	38	\$2,452,488	40	\$2,729,775	41	\$2,776,483	40	\$3,041,408
7 UPR Cayey	51	\$3,059,039	51	\$3,127,843	58	\$3,626,053	58	\$3,718,934
8 UPR Ponce	38	\$2,221,724	37	\$2,184,874	38	\$2,232,152	38	\$2,307,735
9 UPR Humacao	42	\$3,017,848	44	\$3,242,172	39	\$3,264,860	43	\$3,118,269
10 UPR Utuado	22	\$1,194,079	21	\$1,144,229	22	\$1,314,000	23	\$1,440,974
11 CRCI	21	\$940,407	17	\$788,008	22	\$1,084,328	22	\$1,038,232
12 RUM	130	\$8,283,877	147	\$8,615,187	151	\$10,654,532	104	\$8,007,119
13 SEA	16	\$993,349	16	\$993,349	22	\$1,553,591	20	\$1,400,100
14 EEA	11	\$788,780	10	\$743,082	10	\$740,377	10	\$701,228
15 CID	2	\$141,942	2	\$132,414	2	\$133,854	4	\$285,404
16 RRP	224	\$15,177,757	223	\$15,088,600	223	\$16,012,476	189	\$13,520,229
17 RCM	89	\$5,838,477	90	\$5,816,184	93	\$8,849,037	69	\$7,458,568
TOTAL	847	\$54,690,501	865	\$55,346,455	898	\$62,652,373	828	\$58,325,199

Table 16: Personnel of Confidence: Budgetary Impact, Fiscal Years 2012-2015

A significant part or the totality of the proposals appearing in this section are in tune with the *SoS UPR Plan* and its *Government Social Right Sizing* conceptual framework, which protects faculty, research, and service (both student and community-based). In these domains, the UPR can continue its trajectory as the most productive and indispensable social investment for the sustainable development of Puerto Rico.⁴⁶

⁴⁵ The measures for new income and the efficiency strategies included in the *SoS UPR Plan* should provide, first and foremost, for the announcement of probationary positions, while mitigating, at the same time, any budget cut.

⁴⁶ To offer recommendations on this section of the *SoS UPR Plan*, please visit: <https://goo.gl/forms/ktFA48izcdjQD0sj1>.



Continuous Participatory Process

V. CONTINUOUS PARTICIPATORY PROCESS

The *SoS UPR Plan* has been, since its inception, a collective and participatory university effort. Its authorship is collective; its proposals are binding; and its impacts, undoubtedly, will also be so. This Plan includes documented proposals elaborated by students, faculty, researchers, and some sectors of the university's leadership. It constitutes a concert of voices made possible because of the "pause in regular work" that the current student strike has produced. As a collective expression of self-organization, the *SoS UPR Plan* aspires to continue conceiving itself from such a sphere of autonomy. To achieve that, we propose that this Plan be dynamic and receptive to ample participation and continuous improvement, thus being enriched by all sectors committed with the defense and preservation of the integral public project that is the University of Puerto Rico.

The participatory process to enrich the *SoS UPR Plan* is envisioned in two phases: immediate and continuous. In what follows, we provide a sketch for both phases, which is also subject to revision and improvement:

A. Immediate Participatory Phase: Deliberation-Revision-Approval

- a. Description: deliberative process by constituents and interested parties; process of specific revisions and approval by the existing structures of university governance. Once this Plan is approved, the Board of Governors, the Presidency, and the University Board will activate the participatory process described below as amply and agilely as possible. At the same time, each UPR unit will develop participatory processes through existing governance structures and autonomous efforts, according to the decisions of its constituents. The recommendations and input derived from the participatory process will be elevated to the University Board, the Presidency and the Board of Governors within the timeframe defined for this purpose. Duration: 1-2 weeks.
- b. Participants
 - i. University Governance
 1. Chairs
 2. Deans
 3. Chancellors and Administrative Boards
 4. Presidency
 5. Board of Governors
 - ii. Representative Structures
 - a. Student General Councils
 - b. Academic Senates
 - c. University Board
 - d. Retirement Trust Fund
 - iii. University Constituents
 1. Students
 - a. Independent Student Movement
 - b. Interested Students
 2. Faculty
 - a. Self-organized Collectives

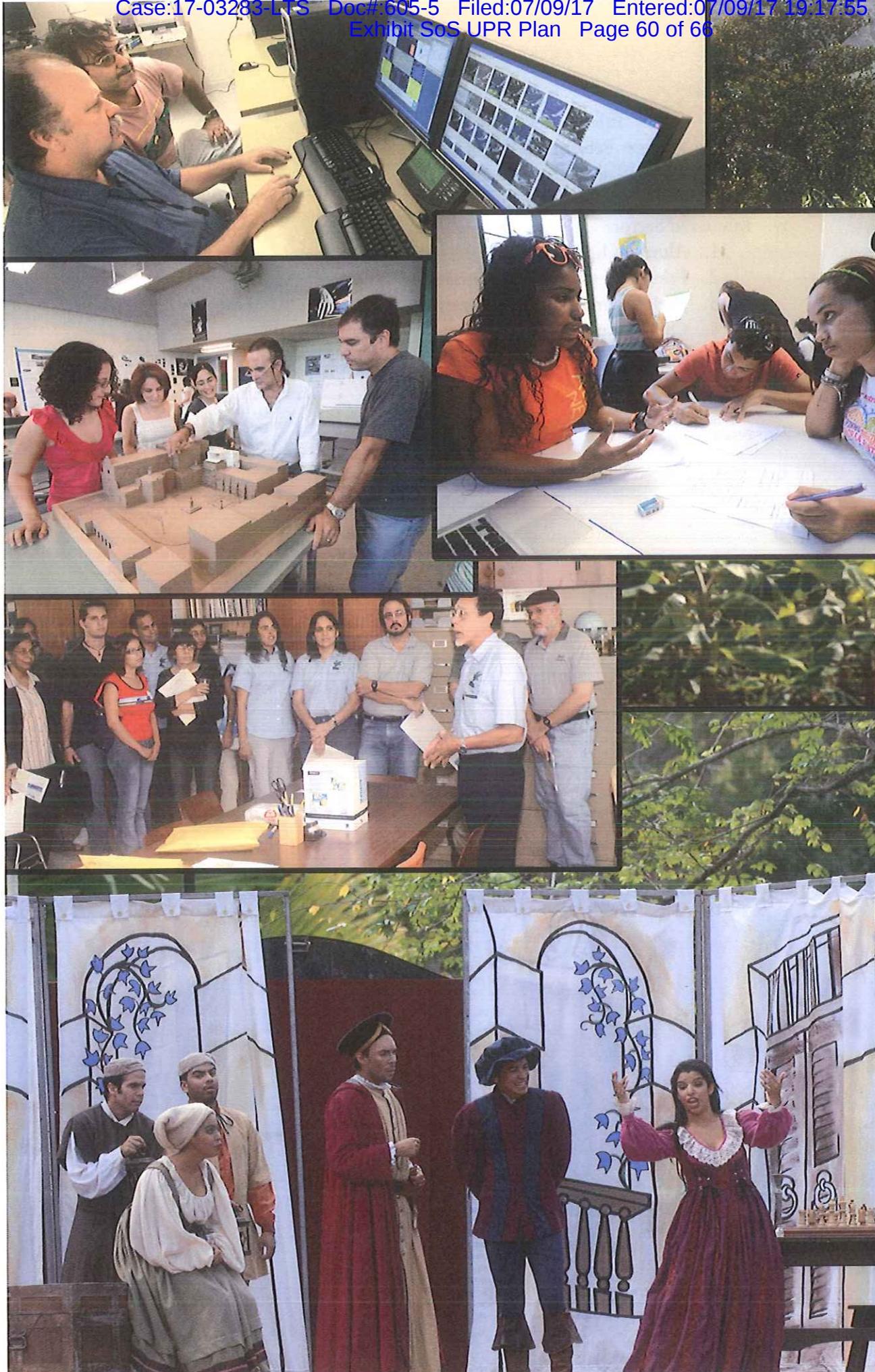
- b. Faculty Associations
- c. Interested Faculty
- 3. Support Personnel (Non-Faculty)
 - a. Labor Organizations
 - b. Interested Employees

B. Continuous Participatory Phase: Improvement-Ratification-Successive Budgets-Action Plans

- a. Description: periodical and continuous improvement process on the part of constituents and interested parties. This process will allow for the: (1) refinement of data and establishment of amounts; (2) integration of new proposals for other sources of income and savings (efficiency strategies); (3) adaptation of the Plan to the new conjunctures that will result from success in the legislative sphere and through alliances with other sectors of society; (4) harmonization of the Plan to the University Reform (*Reforma Universitaria*) process currently being set off by university sectors for the Puerto Rico of today; (5) approval within the existing governance structures; and (6) elaboration of coherent action plans in all spheres, as required. Once the Plan is certified, the Board of Governors the Presidency, and the University Board will activate the continuous participatory process described below as amply as possible, within previously established timeframes. At the same time, each UPR unit will develop participatory spaces through existing governance structures and autonomous efforts, according to the decisions of its constituents. The recommendations and input derived from the participatory process will be elevated to the University Board, the Presidency and the Board of Governors within the timeframe defined for this purpose. Duration: according to each conjuncture, and by semester.
- b. Participants
 - i. University Governance
 - 1. Chairs
 - 2. Deans
 - 3. Chancellors and Administrative Boards
 - 4. Presidency
 - 5. Board of Governors
 - ii. Representative Structures
 - a. Student General Councils
 - b. Academic Senates
 - c. University Board
 - d. Retirement Trust Fund
 - iii. University Constituents
 - 1. Students
 - a. Independent Student Movement
 - b. Interested Students
 - 2. Faculty
 - a. Self-organized Collectives
 - b. Faculty Associations

- c. Interested Faculty
- 3. Support Personnel (Non-Faculty)
 - a. Labor Organizations
 - b. Interested Employees
- iv. Interested Sectors
 - 1. Alumni Organizations
 - 2. Friends of the UPR Organizations
 - 3. Retired Employees Organizations
 - 4. Other Interested Parties⁴⁷

⁴⁷ To offer recommendations on this section of the *SoS UPR Plan*, please visit:
<https://goo.gl/forms/2JunE7Yb1OjLjCN42>.



Guiding Principles of the UPR Budget (2017-2018)

VI. GUIDING PRINCIPLES OF THE UPR 2017-2018 BUDGET⁴⁸

1. The UPR will distribute its resources following these priorities: (a) strengthening teaching, research and direct services to students and surrounding communities; (b) strengthening the UPR's Retirement Trust Fund by means of new hires for regular positions; (c) honoring fair labor conditions; (d) cutting first from the ineffective administrative sphere, which refers to that which does not offer direct services to students; (e) reducing bureaucracy and its related increase of inefficient administrative costs to the maximum; and (f) reducing from private services before regular labor conditions.
2. Given the foreseeable negative effects to most Puerto Rican households of the austerity measures contained in the Commonwealth's Certified Fiscal Plan, which will be piled upon the ravages of a decade of economic contraction, the UPR will not increase tuition costs for students. A study of the Higher Education Council (*Consejo de Educación Superior*), published in March 2017, shows that, in Puerto Rico, a family with average income currently devotes 62% of it to university expenses. In other jurisdictions, the proportion is considerably lower, and does not exceed 30%-40% of the family income. Increasing tuition costs now would also contribute to higher private indebtedness, which would, in turn, reduce the demand and restrain economic activity. To the extent that the country's economic recovery begins in earnest, this principle may be reevaluated.
3. The UPR has the capacity of maintaining, over the next ten (10) years, an enrollment of 55,000 to 62,000 students. With the best graduation rate among higher education institutions in the country, the UPR ensures that our alumni multiply their capital-generating capacity by \$25,000 per year, when compared with the average salary a worker without a university degree earns (Alameda and González, 2017). Progressively increasing regular faculty hires will augment the size of incoming classes, generate more income through tuition, multiply the human resources applying for external funding, and strengthen the UPR's Retirement Fund.
4. There is no economic or financial study, nor a historical precedent in the United States, that supports such an exorbitant cut to a higher education public institution as that contemplated in the Commonwealth's Fiscal Plan, as certified by the Fiscal Oversight Board and accepted in previous fiscal plans for the UPR. The MSCHE, in fact, has expressed concern about the magnitude of the adjustment, and for this reason has the UPR under observation. It is yet unknown how the anticipated cuts will affect, alongside the myriad other services detailed in the *SoS UPR Plan*, the essential health services the UPR offers, as an indispensable safety net, to medically indigent people in the country, which annually result in millions of dollars in accounts receivable.
5. The UPR maintains its leadership in scientific research in Puerto Rico, as the 2015 *Ibero-America Report* (*Informe Iberoamérica*) corroborates. In the Report, the UPR occupies position #26 in Latin America and #50 in Ibero-America. Between 2010 and 2015, the United States Patent and Trademark Office bestowed 25 patents to UPR researchers,

⁴⁸ The information highlighted in each of the following Principles can be corroborated and deepened with a detailed consideration of this Plan's section titled "From the Government Right Sizing to the Government Social Right Sizing: the UPR and its Indispensable Role for the Country." A Draft of the Proposed Budget can be found at: <https://www.scribd.com/document/349884160/UPR-Fiscal-Plan-149-MM-Total-Adjust-Final-English-Ver>

elevating the total patents granted to the UPR to 62. For these reasons, this Budget seeks to strengthen the research component and technology transfers.

Budgetary Impact According to Scenarios Contemplated in the *SoS UPR Plan*

The 2017-2018 UPR budget presented here as part of the *SoS UPR Plan* responds to Scenario III (see this Plan's section titled "Scenarios"), which can be described as the most conservative of the contemplated scenarios. However, with the consideration of Scenario I, or any variation of Scenario II, the UPR's budget would be even more robust and consistent with the vision of Government Social Right Sizing previously explained.

The budget presented here makes moderate income projections. With the approval of the necessary new bills or amendments that would make viable, at least, some of the proposals for new income, the fiscal scenario for the UPR would correspond even more with its mission and social profile. Further, if the presented model for project operationalization is diligently implemented, measures taken to offer professional services and training to government agencies might generate more benefits, while assuring that the public debt to the UPR does not continue its current, incremental tendency.

Finally, it is extremely difficult to estimate now the net impact of avoided costs and of savings that the UPR might achieve if it implements rigorously the efficiency strategies presented here. Still, and as anticipated in the participatory process of revision and improvement included in this Plan, there is, undoubtedly, space to continue transforming challenges into strengths. The *SoS UPR Plan* was crafted and is being submitted against the backdrop of an ongoing process integral transformation of the UPR (*Reforma Universitaria*), spearheaded by various university sectors. Once that indispensable effort concludes, we are confident that, with the support it merits from the State, the public university of Puerto Rico will emerge strengthened and will continue to advance its mission for your younger generations and for our country.⁴⁹

⁴⁹ To offer recommendations on this section of the *SoS UPR Plan*, please visit:
<https://goo.gl/forms/1epBQ4dL7iMUszRN2>.

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